Austria	Sch30	Indonesia	Rp5100	Pakistan	Rs35
Bahrain	Din0.950	Iran	Rls210	Philippines	Peo40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk10	Lebanon	L£1,850	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr15
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr13.00	Turkey	L3000
India	Rs29	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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Thursday November 28 1991

D 8523A

ENERGY
Enersis sets out to scale the Andes
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World News

UN resolution paves way for Yugoslav peace force

The UN Security Council agreed a resolution paving the way for the establishment of an international peacekeeping operation in Yugoslavia.

However, the Council said the deployment of a UN force could not take place until there was full compliance with a ceasefire accepted by Serbian and Croatian leaders in Geneva at the weekend. Page 14

Libya told to pay
Britain and the US called on Libya to pay compensation for the 270 people who died in the bombing of a Pan Am airliner over Lockerbie in Scotland in 1988. Page 14

Israel seeks delay
Israel said the US should delay Middle East peace talks planned for next week in Washington and pressed for them to be quickly transferred to the region. Page 4

Kenya drops charges
The Kenyan government dropped charges against four of its critics, including former vice-president Jaramogi Oginga Odinga, arrested two weeks ago for planning to hold a pro-democracy rally. Page 4

Cash for Aids victims
The French government is to compensate thousands of people infected with Aids from blood transfusions between 1980 and 1985, when the country's transfusion service knowingly used contaminated blood. Page 2

EC farmland polluted
Groundwater under 65 per cent of European Community farms is seriously polluted, according to a survey by Dutch scientists presented to EC environment ministers.

Nato to move HQ
Norway said Nato would decide next month to move its northern headquarters to Britain from Oslo in a restructuring of the western alliance after the cold war.

More troops to Ulster
Britain sent 600 more troops to Ulster to combat an upsurge in sectarian killings.

Soviet aid approved
The US House of Representatives approved $400m to be used in dismantling Soviet nuclear weapons and $100m in aid to head off possible food riots in the Soviet Union.

Republics meet
Leaders of Azerbaijan and Armenia, which both claim sovereignty over Nagorno-Karabakh, met in an attempt to defuse the threat of war following the Azerbaijani parliament's decision to claim control of the territory. Page 3

Japanese MPs fight
Fighting broke out among Japanese Diet members when a bill to allow Japanese servicemen to join United Nations peace-keeping operations was forced through a key committee. Page 14

Bhopal hearing
An Indian court in Bhopal, India, began hearing a criminal suit arising from the lethal gas leak which blanketed the city in 1984 in the world's worst industrial disaster. Page 5

Onassis yacht for sale
The yacht Christina, which the late Greek shipping tycoon Aristotle Onassis left to the Greek government, will go on sale in January for at least $15m.

Getting the picture
Turkey will return to Ireland a stolen 17th century painting found in Istanbul last year. Dutch master Gabriel Metsu's A Woman Reading a Letter was taken in 1986 from Lord Dunsaney's estate in Co Meath.

Business Summary

German energy group buys stake in US coal company

RWE, the Essen-based conglomerate, is to pay $890m for a 50 per cent stake in Consolidation Coal (Consol) of the US. The deal brings together Germany's largest energy concern and the second-biggest hard-coal mining company in the US, and marks another high point in RWE's aggressive international expansion strategy. Page 15

DOLLAR pushed ahead in Europe after warnings from Eduard Shevardnadze, Soviet foreign minister, that there could be another Kremlin coup. In London, the dollar closed at DM1.6145 compared with DM1.5805 on Tuesday, and at Y130.05 against Y128.25. Currencies, Page 38; Republican foes hold talks, Page 3

MAXWELL Communication Corporation said "it would be appropriate in current circumstances" to delay its interim results, which had been due this morning. MCC, one of the publishing companies built by the late Robert Maxwell, has more than £1bn debt against £850m in his private companies. Page 15

BANK OF ENGLAND will allow Soviet-owned Moscow Narodny Bank to continue trading after a commitment from the Russian government to provide financial support if required. Page 3

IBM's share price fell sharply on Wall Street, losing more than $3 to trade at $94¾, down from a Tuesday close of $97⅞. Key to success in managers' hands, Page 15

OPEC is to allow its 11 fully producing members to continue lifting oil at near capacity for the first quarter of next year and to defer any decision on output levels for the second quarter to a meeting in February. Page 30

AUSTRALIAN inquiry into the banking system has recommended that the country be brought into line with other financial centres by allowing overseas banks easier access to the market and permission to operate as branches rather than subsidiaries. Page 4

EUROTUNNEL, Channel tunnel operator, claimed a High Court victory in its battle to prevent contractors from carrying out a threat to halt work on part of the £8bn ($14bn) project. Page 10

BOMBARDIER, aerospace and railway equipment group, is expected to emerge with majority control of Boeing's loss-making De Havilland Canada, Toronto commuter aircraft manufacturer put up for sale early this year. Page 16

PHILIP MORRIS, US food, drink and tobacco group, is to take a $1bn non-cash charge for an accounting change and a $275m fourth-quarter charge for restructuring its worldwide food operations. Page 15

JAPANESE exports of four-wheeled vehicles to Europe and the US fell steeply in October, with sales to Germany falling by 41.6 per cent. Page 8

PINAULT, French timber to furniture retailing company, said it would not enlarge its FFr5.28bn ($970m) bid for two-thirds of Au Printemps to include all the Parisian company's shares. Page 17

ARJO WIGGINS Appleton, Franco-British paper group, may be forced to raise its £23m ($41m) bid for the Spanish paper trader, Corporacion Commercial Kanguros, after running into resistance from the Kanguros board and its advisers. Page 17

SOUTH Africa's development agency, the Independent Development Trust, will postpone until next year its proposed $100m Eurobond issue after the withdrawal of support from the African National Congress. Page 18

Mixed reaction from US banks to reform bill

By Alan Friedman in New York

THE US banking community yesterday greeted the approval by Congress of bank reform legislation with a mixture of relief and disappointment.

The majority of bankers were pleased that the legislation – agreed after nine months of difficult negotiation – recapitalises the depleted deposit insurance fund and allows the fund to extend its borrowing to $70bn(£39.5bn).

There was also relief that the bill did not contain new firewalls that would stop some banks from underwriting securities and that the Congress eliminated a proposed ceiling on the interest rates banks may charge on credit cards.

A number of bankers were also pleased that the legislation did not allow the further expansion of "non-bank" banks, such as financial service businesses owned by commercial companies.

There was widespread disappointment, however, that the legislation failed to establish the right of banks to engage in interstate branching or stock-broking and limited the ability of banks to sell insurance.

Mr Alan Tubbs, president of the American Bankers Association, said the bill "stops well short of the kind of positive, competitive legislation needed to strengthen the banking industry". But stressed that "a reasonable, narrow bill is far better than an unreasonable, broad bill filled with new restrictions on bank activities."

In New York, Chase Manhattan said it was not especially pleased by the legislation, but noted "the original bill has been so emasculated that you have to measure our success in terms of what might have happened and did not".

Chase described the Congressional approach to banking reform as "negative and regressive" and said the main thrust of the lobbying undertaken by the banks "could be called damage control."

In San Francisco, BankAmerica said it welcomed the recapitalisation of the deposit insurance fund. This was echoed in New York by Chemical Bank. The legislation provides that the insurance fund's credit line from the Treasury will be increased from $5bn to $30bn and allows the fund to borrow working capital of up to 90 per cent of the value of its assets, which could lead to borrowings of up to $70bn.

In an interview last week Mr Dick Rosenberg, chairman of BankAmerica, attacked proposals to place a cap on credit card interest rates, an idea that was added to the legislation in the wake of a suggestion by President George Bush.

Mr Rosenberg and other bankers have also argued for the right to expand across state boundaries.

Compromise bill, Page 9

Kohl holds out hope of Maastricht compromise

By Quentin Peel in Bonn and Robert Graham in Rome

CHANCELLOR Helmut Kohl of Germany yesterday raised hopes of a compromise in the European Community negotiations on political union just hours before the arrival in Bonn of Mr John Major, the UK prime minister.

Speaking to the Bundestag, Mr Kohl suggested that decisions on the most contentious issues could be delayed for several years provided the process towards integration was set in train at next month's Maastricht summit.

His speech sought both to prepare his parliament for a more modest treaty on political union than it would like, and to offer an olive branch to Mr Major.

Meanwhile, Britain and Italy pledged to try to narrow the differences between the British government and the rest of the Community to achieve a positive outcome at Maastricht.

But Mr Major, after meeting Mr Giulio Andreotti, his Italian opposite number in Rome, warned that serious bargaining was only now about to begin and many issues would not be solved "until a very late stage".

Mr Major travels to The Hague on Sunday for further talks with Mr Ruud Lubbers, the Dutch prime minister.

Mr Kohl urged the Bundestag to understand the British reserve over the concept of a "federal" Europe, and the transfer of sovereignty to the EC.

He said that anyone who had followed the recent British parliamentary debate on the EC negotiations would have heard how the arguments went back to 1914. "I do not say that disparagingly. For it is an open question how the Germans would debate [the issues] if they had been declared the victors in two world wars. It is only fair to admit that our partner has a longer road – also a psychological road – to travel."

He added that no one should bother to come to the EC summit at Maastricht who refused to compromise. A compromise at the summit would be far better than no deal at all.

Chancellor Kohl said his compromise would be to seek to build into the treaty on political union "an opening" through which policies, agreed at Maastricht to remain on an inter-governmental level, could later come under control of EC institutions. He cited as examples the fight against drugs, and control of asylum-seekers.

If it was impossible to agree that they should be subject to EC regulations from the start, he would attempt "to incorporate an opening clause in the treaty, according to which

Continued on Page 14

The federal path, Page 2
Editorial comment, Page 12

Troops shield Khmer Rouge leader Khieu Samphan as he escapes demonstrators in an armoured personnel carrier

Khmer Rouge chief driven out

By Victor Mallet in Bangkok

ONE OF the Khmer Rouge leaders responsible for Cambodia's reign of terror, in which more than 1m people died, was driven out of the country yesterday after being attacked by an angry mob – throwing into doubt the country's peace agreement.

Mr Khieu Samphan, 60, the nominal head of the Khmer Rouge and right-hand man to Pol Pot, the organisation's shadowy leader, was assaulted by men, women and children who stormed a government guest house on his return to the Cambodian capital Phnom Penh.

Shouting "murderer" and "kill, kill, kill" they beat him and tried to hang him from the ceiling.

Bleeding from a head wound, he was eventually rescued by Cambodian security forces and taken away in an armoured car. He was later reported to have left the country for Thailand with other Khmer Rouge officials, raising doubts about the future of the peace accord which brought them home.

His arrival had been greeted by screams of abuse from students demonstrating at the roadside as the former Kampuchean head of state was driven into the capital from the airport, and protesters recalling the fate of their relatives at the hands of the Khmer Rouge later gathered outside the house where he was staying.

Dozens of them pushed aside police guards, trapped Mr Khieu Samphan in an upstairs bedroom and beat him to the floor with sticks and fists.

Mr Khieu Samphan, who studied economics in Paris in the 1950s, is held responsible for some of the extremist anti-urban policies of the Khmer Rouge during its reign of terror between 1975 and the Vietnamese invasion in 1978.

An estimated 1m Cambodians were killed or died of hunger when the Khmer Rouge took power, emptied the cities of people and murdered intellectuals and other suspected opponents.

Continued on Page 14

Free-market extremism, Page 5
Editorial comment, Page 12

Agnelli family company may bid for Perrier group

By William Dawkins in Paris

CONTROL of Source Perrier, the mineral water group, was set to change hands yesterday amid widespread speculation on European bourses that the bid might come from Ifi International (Ifint), a holding company controlled by Italy's Agnelli family.

The Italian group started buying shares in Exor, the French holding company which controls the company, in January and controls an estimated 21 per cent of the voting rights. Exor shares were suspended on the Paris bourse.

Exor, which also owns the claret Château Margaux, Parisian property, and 2.4 per cent of the Suez financial and industrial holding group, said its board would meet and make an announcement before the end of the week.

The Agnellis have an extensive French industrial portfolio, including 5 per cent of the BSN food group, held by Ifil, another Agnelli holding company. None of the companies involved would comment.

BSN, whose Badoit sparkling mineral water leads Perrier on the French market, is also sporadically rumoured to be interested in taking control of its competitor, although the company denied involvement.

Perrier's share price rose by 3.2 per cent to FFr1,274 ($235.05) on the news, valuing the group at FFr11.4bn. Exor is valued at FFr4.6bn at the FFr1,070 suspension price.

If Ifint or other Agnelli interests did bid, this would be the third time that control of Perrier has fallen into non-French hands. However, stockbrokers thought it unlikely that a direct bid for Perrier itself would emerge.

Founded by a Dr Perrier at the end of the last century, the group was until 1936 owned by Lord Harmsworth.

Then in 1948 Mr Gustave Leven, a French stockbroker, bought the group and was chairman until last year, by when the group had fallen under Exor's control. Exor is controlled by the Franco-Greek Mentzelopoulos family.

Today, Exor owns 35 per cent of Perrier and supplies its chairman, Mr Jacques Vincent, who took over from Mr Leven after the Perrier brand was forced to destroy its world stocks following the discovery of traces of benzene.

Mr Vincent has introduced new management and sold and trimmed loss makers. Perrier's net profits fell by 54 per cent to FFr389m in the first half.

The Mentzelopoulos family sold a 13.5 per cent stake in Exor to Ifint in January, reducing its stake to an estimated 16 per cent to 17 per cent. Ifint bought options for another 7.86 per cent from a Swiss holding company in April.

If the Agnelli vehicle bought the remaining Mentzelopoulos shares, that would lift its stake above the 33 per cent at which it is obliged, under French takeover regulations, to launch a bid for two-thirds of Exor's capital.

Lex, Page 14

CONTENTS

IBM plans to liberate its sprawling business empire

Mr John Akers, the chairman of IBM, has unveiled plans to banish bureaucracy, improve efficiency and increase autonomy among the many business sectors of the world's largest computer company
Page 15

MARKETS

STERLING
New York lunchtime:
$1.7635
London:
$1.767 (1.797)
DM2.8575 (2.84)
FFr9.755 (9.705)
SFr2.5225 (2.52)
Y230.25 (230.25)
£ Index 90.4 (90.5)

GOLD
New York Comex Dec
$367.9 (366.3)
London:
$368.45 (366.8)

N SEA OIL (Argus)
Brent 15-day Jan
$19.85 (19.90)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.6185
FFr5.5285
SFr1.428
Y130.25
London:
DM1.617 (1.5805)
FFr5.52 (5.40)
SFr1.4275 (1.402)
Y130.25 (128.15)
$ Index 63.2 (62.4)
Tokyo close: 129.24

US lunchtime rates
Fed Funds: 4½%
3-mo Treasury Bills:
4.492%
Long Bond:
100⅜
yield: 7.961%

STOCK INDICES
FT-SE 100:
2,447.5 (-24.0)
FT-A All-Share:
1,183.03 (−0.8%)
FT-SE Eurotrack 100:
1,069.79 (-1.69)
New York lunchtime:
DJ Ind. Av.
2,906.31 (−9.83)
S&P Comp
376.88 (−1.06)
Tokyo: Nikkei
22,973.28 (−138.81)

LONDON MONEY
3-month interbank:
10$\frac{13}{32}$% (10$\frac{7}{16}$%)
Liffe long gilt future:
Dec 93⅝ (93$\frac{13}{32}$)

EUROPEAN NEWS

Commission rejects UK plea for cut in air fares

By Daniel Green

THE European Commission yesterday rejected a British government complaint of "unjustified" price increases by several European airlines on some routes between the UK and continental Europe. The UK Civil Aviation Authority had sought a cut in these fares but the Commission yesterday rejected this.

Instead, it asked member governments to ensure that future increases are kept more closely in line with airline costs. It has urged them to use older fares as a reference point when considering applications for price increases rather than the higher fares introduced during the Gulf war.

Under the second stage of the EC's airline liberalisation programme approved a year ago, airlines are allowed an automatic 5 per cent rise in fares unless governments at both ends of a given route oppose the change – the so-called double-disapproval system.

But during the Gulf crisis, when fuel prices were volatile and demand for air travel low, airlines were able to push through much bigger price increases. The fare on the London-Copenhagen route, for example, rose from £176 in October 1990 to £185 in December and then to £206 in January this year.

The Commission agreed yesterday with the CAA that some of the fare rises had infringed EC rules calling for fares to be related to airline costs. Although the CAA had submitted 90 cases of high fares, the EC only objected to 40 fares. These involve fares charged by British Airways, Alitalia, Scandinavian Airlines System, Air France, and Olympic Airways of Greece.

However, the Commission said that "member states must take the steps necessary to ensure that these fares which have, in fact, not been in force since the end of the 1990/1 winter season, are not used as a basis for determining new fares." This leaves enforcement up to national governments.

Those member states which disagree with the Commission now have one month to take the matter to the Council of Ministers. The Council will have another month to come to a decision.

The Brussels-based Association of European Airlines, which represents 22 European carriers, said "the ball is now back with the governments". It said it was less concerned about the outcome of the ruling than the greedy image the whole process had given to airlines.

BA also played down the significance of the ruling, suggesting that it would be difficult to punish the airlines because fares had already changed so much since last winter.

The CAA last night said it was waiting to examine the document.

Opponents of the structure of air fares in Europe expressed disappointment. Lord Bethell, a UK political campaigner, said he had hoped the Commission would relate current prices to the last price that was approved before the Gulf war. He claimed the EC's liberalisation programme seemed to be failing, with the exception of the London-Amsterdam and London-Dublin routes where heavy competition had held down prices.

However, Mr John Parr of the Air Transport Users Committee took a more sanguine view: "We are not looking to liberalisation solely to put pressure on prices but to improve the number of routes available."

Both airlines and consumer groups have continued to argue for different reasons that market forces should be allowed to set airline tariffs: the carriers so that prices can be raised to pay for Europe's expensive security and air traffic control charges and the users so that competition can drive prices lower.

In the absence of complete liberalisation, however, the question of the enforcibility of Commission rulings will continued to preoccupy the airline industry. The issue will become even more pressing in 1993, when the third and final phase of the liberalisation programme comes into force and airlines will be able to set whatever fare they want unless governments at both ends of a route object.

France has largest trade surplus for 13 years

FRANCE had a FFr6.6bn (£670m) seasonally adjusted trade surplus last month. The figure is the highest for 13 years and is the latest evidence of an economic recovery, writes William Dawkins in Paris.

The result, published by the customs directorate, is a sharp reversal of September's FFr3bn deficit and took most economists by surprise. Even after accounting for possible statistical errors, Banque Indosuez and others are reducing the forecast for the full year's deficit to less than FFr40bn, compared with last year's FFr50bn.

The October surplus reduces the deficit for the first 10 months to FFr26.8bn, against FFr39.4bn for the same period last year. The delivery of a satellite and a cruise liner accounted for FFr4bn of the improvement, producing a FFr5bn surplus in industrial trade, compared with a FFr3.5bn deficit in September.

Trade with Germany, France's biggest commercial partner, was roughly in balance; the surplus with Britain climbed sharply from FFr512m to FFr1.9bn. The surplus with the European Community as a whole advanced from FFr115m to FFr4.3bn, deficits with the US and Japan were reduced.

Denmark to raise VAT from January

The Danish government yesterday announced an increase in value added tax from 22 to 25 per cent with effect from January 1, writes Hilary Barnes in Copenhagen.

Denmark's VAT rate is already the EC's highest.

However, the government has acted because the European Court may rule that Denmark's payroll tax is discriminatory and therefore illegal. The tax, which is being replaced by the VAT rise, was introduced in 1987 as part of a programme to restrict domestic demand, but it applied only to domestic market companies and importers, while exporters were exempted.

Hungary's inflation forecast to halve

[illegible] inflation rate is [illegible] to halve next year [illegible] the terms of a draft [illegible] concluded this week [illegible] national Monetary [illegible] icholas Denton [illegible] udapest.

[illegible] price inflation is [illegible] all from about 30 [illegible] 15 per cent by December 1992, Mr Gyorgy Surányi, national bank president, said yesterday.

Negotiators agreed on a budget deficit target for 1992 of Ft70bn (£593m), compared with an expected outturn for 1991 of Ft100bn. This would represent a fall in the public sector deficit from 3.5 per cent to under 2 per cent of GDP.

The draft also allows Hungary to finance its $20.5bn gross foreign debt, by drawing $435m of IMF credits in 1992 in addition to the $970m disbursed in this, the first year of the three-year agreement.

Dutch fearful of Germany going its own way

By David Marsh, Europe Editor

A STRONG warning that the Maastricht summit may represent virtually Europe's last chance to bind united Germany fully to western Europe was delivered yesterday by Mr Andre Szasz, deputy president of the Dutch central bank.

Speaking in Amsterdam, Mr Szasz said that, unless German participation in European monetary union (Emu) was assured, there was a risk that "Germany, in the next two decades, will become a different country."

"The western European country we are so familiar with will be replaced by a central European power, with interests of its own which may differ significantly from ours."

Mr Szasz voiced scepticism about several important aspects of the draft treaty on Emu drawn up by the Dutch government. But, pointing to the importance of ensuring Germany's "further integration into western Europe", he said most other western European countries realised that "if we do not grasp this opportunity there may not be another one."

Mr Szasz's remarks on the political importance of Emu are striking since they come from the European central bank whose monetary policies have traditionally closely followed the Bundesbank's.

Mr Szasz was at pains to underline the need for strong anti-inflation guidelines for the mooted European central bank. He argued strongly for constraints against countries running excessive budget deficits and urged efforts to prevent the planned tough economic criteria for Emu from being "watered down in the last five minutes in Maastricht".

He also said the planned European Monetary Institute – to be formed in 1994 as an embryonic European central bank – should simply have "co-ordinating and preparatory tasks" rather than proper central bank functions.

Mr Szasz's comments coincided with a separate warning to the German government about the risks of inflationary "concessions" on Emu from Mr Heinrich Weiss, president of the Federation of German Industries (BDI).

Speaking on a visit to London, Mr Weiss said there was a risk that Chancellor Helmut Kohl might be tempted to tone down his conditions on Emu in a deal with France at the summit. "We don't know everything which was promised by German politicians to get (German) unification," he said.

Mr Kohl, as part of the diplomatic understandings with other countries reached during the unification process last year, might have indicated his readiness to France to give up the D-Mark "at too low a price". This would sacrifice some of the "stability-first" principles which have been hallmarks of the German Emu negotiating stance so far. "That frightens us," he said.

Mr Weiss painted a sober picture of the challenges facing the German economy as it copes with post-unity turbulence. "By financing all this, the west German standard of living will not increase for some years," he said.

Chancellor Kohl (right) and Foreign Minister Genscher strike reflective pose in the Bundestag yesterday

Evolutionary or revisionary clauses – it's all a matter of language

Bonn wields two-edged sword

By Quentin Peel in Bonn

GERMANY'S proposal for a staggered development of European political union, with different stages coming into effect in later years, is a two-edged sword in the current negotiations.

On the one hand, it might be seen as an attempt to lock Mr John Major and the British government into a future straitjacket, by committing him to inevitable further integration in a rigid timetable.

On the other, it could equally provide a way of not committing the British or anyone else irrevocably to further steps, and thus allow a lower-level compromise at Maastricht.

The question concerns how the commitment to future action or debate is phrased. In the language of the negotiations, it concerns whether the treaty includes "evolutionary" clauses, or merely "revisionary" ones.

Ideally Germany wants evolutionary clauses, which would bind the member states to transferring competences to the Community – such as drug-fighting, or control of asylum – at specific future dates. Implementation would require no more than a decision of the Council of Ministers to confirm the move.

Britain would find that level of commitment impossible to stomach. What might be acceptable would be merely "revisionary" clauses, promising to debate the questions in the future, but without any commitment to a decision made already at Maastricht.

Somewhere in the middle, a compromise should be possible: a commitment to debate specific issues of EC competence at specific dates in the future, and a fairly precise definition of what that competence might be. That would obviously direct any future debate, but would still not set the decision in concrete.

Apart from the questions of drug-fighting and asylum cited yesterday by Chancellor Helmut Kohl, additional powers for the European Parliament could be included in such "revisionary/evolutionary clauses". So could greater bolstering of a European defence identity.

There is already a declaration attached to the present treaty text to reopen the asylum question before the end of 1994, and proposals to do the same on both the parliament and defence by the end of 1996.

That just happens to be the date at which the present treaty of the Western European Union, the vehicle for European defence co-operation, runs out.

Brussels postpones move on fair wages

By Andrew Hill in Brussels and Charles Leadbeater, Industrial Editor, in London

THE European Commission yesterday postponed plans to produce a non-binding "opinion" on wage levels until after the Maastricht summit next month, on the grounds that it might upset some member states, particularly Britain.

In spite of the uncontroversial form of the proposal, Ms Vasso Papandreou, the EC social affairs commissioner, will now have to submit the document to fellow commissioners at their first meeting after the summit of EC leaders.

The draft opinion on equitable wages calls for "a wage sufficient to enable workers to have a decent standard of living" and suggests the EC should "seek ways of achieving a more equitable distribution of income".

The Commission was worried the opinion might arouse fears in the UK that Brussels would attempt to legislate on wages. Although the document explicitly rules out binding measures, Ms Papandreou has suggested an EC-wide minimum wage could be established after further economic convergence between member states.

Differences also remain between member countries on another controversial proposal in the social area, which aims to regulate working hours across the Community. The draft working time directive will be formally discussed for the first time at next Tuesday's meeting of social affairs ministers.

The Confederation of British Industry yesterday launched a sweeping attack on the draft working time directive accusing the Commission of not discussing it fully with employers or employees.

Mr John Banham, CBI director general, said British Rail had estimated that an earlier version of the draft directive would have added £500m to its costs, 25 per cent of its labour costs. He said the directive's 48 hour limit on the working week would particularly hit the coal, farming, food manufacturing and leisure industries, while its proposed ban on Sunday working would hamper the retail sector.

Major, Kohl and the federal path

David Buchan on the pressures propelling both men to the summit

THE European Commission yesterday lent its voice to those of Chancellor Helmut Kohl and his fellow Christian Democrat leaders in the EC seeking a federal future for the Community.

In its final opinion on political union before the Maastricht summit, the EC executive called for the planned treaty to "spell out the fact that all activities" contained in the treaty, such as co-operation on foreign policy and internal security, "are part of a process leading progressively towards attaining Union".

In other words, a day should come when the Twelve will conduct all their common business under standard Treaty of Rome rules, with a role for the supranational institutions of the European Commission, Parliament and Court.

The UK government does not contest that, as a matter of history, this may happen, but resists signing anything at Maastricht this year which would pre-determine this outcome. For Mr John Major, the prime minister, the key at Maastricht is how to avoid anything which gives his turbulent backbenchers the impression that Britain has agreed to be pushed down a slippery slope to a federal Europe.

COUNTDOWN TO MAASTRICHT

But many of his EC partners, especially Mr Kohl, want to grease this slope and set markers and dates along its course. As the chancellor made clear yesterday before the Bundestag, he feels he can only politically sell Maastricht's modest step towards political union if he can point to some treaty commitment that further strides will be taken during the 1990s.

Britain accepts the clause in the current Maastricht draft calling for a review in 1996. To do otherwise would have been unrealistic; the UK learnt the hard way in 1985 and 1989 that it takes only a simple majority of EC states to launch a constitutional revision. But London says the review clause must be neutral, not, as the present Dutch draft states, designed to "reinforce the federal character of the union".

Such language does not go far enough for Germany, as hints from Bonn and a meeting between Mr Kohl and five other Christian Democrat leaders in Brussels this week indicate. Bonn, perhaps just as a bargaining chip, is weighing an "evolutionary" approach. This would commit the Twelve to decide by a set date to slot certain aspects of "inter-governmental" business into the Community.

Why is this prospect so important to Germany, but allergic to Britain? The more policies are "Europeanised", the greater the role for the parliament, and the higher degree of democratic accountability. This counts a lot for Mr Kohl. In the specific areas of foreign policy and immigration issues, he also wants Community cover in taking controversial decisions such as recognising Croatia or stemming the influx of asylum-seekers.

The UK government, too, has a mix of reasons for wanting to keep inter-governmental business out of the Community machine. They include a desire to keep a free hand, in the last resort, but also a suspicion of the way EC machinery works.

The Treaty of Rome gives the Commission a monopoly on tabling, and withdrawing, proposals. The legal base of such proposals can only be overturned by unanimity in the Council, or in the European Court. But the latter's track record is that it almost always follows the Commission on institutional matters, as does, less importantly, the parliament.

One of the Commission's main complaints about the Maastricht draft treaty yesterday was that it does not give the union "a legal personality in international law". Yet, on precisely the same day, it was announced that the European Community had been accepted as a member of the Food and Agriculture Organisation, the first United Nations body of which the EC has been made a member in its own right.

France sets aside billions for AIDS victims

By Ian Davidson in Paris

THE FRENCH governme[nt] yesterday moved to stifle [a] serious scandal of public me[di]cal negligence, by setting u[p a] multi-billion-franc fund to co[m]pensate AIDS victims infect[ed] through transfusions of blo[od] known to be contaminated.

The fund may eventua[lly] total between FFr10bn a[nd] FFr14bn, according to preli[mi]nary estimates.

It is expected to be financ[ed] mainly through a new [tax] imposed on French dama[ge] insurance policies, though [it] may be supplemented throu[gh] a special charge on incomes.

The scandal dates back [to] 1985, when the Fren[ch] National Blood Transfusi[on] Centre (CNTS) continued [for] several months to relea[se] blood for transfusions e[ven] though it may have known [it] to be contaminated with AI[DS], hepatitis and other viruses.

Some 7,000 people [are] thought to have been conta[mi]nated with the infected blo[od], including around 1,200 haem[o]philiacs.

The scandal has been m[ade] worse by the fact that [the] French authorities at the t[ime] deliberately delayed introd[uc]ing a newly-developed Am[eri]can blood test for AI[DS] because a rival French [test] being developed had not b[een] perfected.

Three doctors, including [the] then director of the CN[TS], have been charged in c[ourt] with responsibility for the [con]taminations.

They in turn have attem[pted] to implicate government mi[nis]ters of the day, including Laurent Fabius, then pr[ime] minister, Mr Pierre Bérégo[voy], finance minister, and Ms G[eor]gina Dufoix, for social af[fairs] minister.

The amount of compe[nsa]tion, which is likely to [vary] widely according to the [cir]cumstances of the victi[m], could range from FFr1m [to] FFr2m per person, accordin[g to] some estimates.

The French Insurance C[om]panies Federation has [pro]tested against the "profo[und] inequity" of funding the [com]pensation through a specia[l tax] on damage insurance polic[ies].

It points out that such a [tax] would penalise those who [have] taken out insurance polici[es and] adds that this was a "nati[onal] drama, for which they [were] not, in any degree, directl[y or] indirectly, responsible".

Usinor gets its ca[sh]

The European Commis[sion] yesterday ruled as expe[cted] that the injection by C[rédit] Lyonnais of FFr2.5bn (£[...]) of capital into Usinor S[acilor] was not a form of disg[uised] state aid for the French [state-]owned steel-maker, w[rites] Andrew Hill in Brussels.

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EUROPEAN NEWS

Moscow Narodny Bank escapes closure threat

By Robert Peston and Anthony Robinson in London and Leyla Boulton in Moscow

THE Bank of England yesterday agreed to allow the Soviet-owned Moscow Narodny Bank to continue trading after a commitment from the Russian government to provide financial support if required.

The move followed crisis talks between the Bank of England and the Russian authorities about the possible closure of MNB. There were fears that western banks might withdraw deposits from MNB because of the deteriorating economic and financial situation in the Soviet Union.

MNB and Soviet-owned banks in France and Germany were required "to seek clarification of their position from the competent authorities of the countries in which they are located" as part of last week's G7 agreement to defer repayment and principal on Soviet medium and long term debt until the end of 1992.

MNB, which is based in London and has a branch in Singapore, said that both the Russian government and its two major shareholders, Gosbank and Vnesheconombank, were standing behind it.

Questions over the future of the Soviet-owned banks followed the decision of the Russian government to extend its control over the two main shareholders. The future of Mr Viktor Geraschenko, the head of Gosbank, the central bank, is also uncertain pending a Russian parliamentary vote on whether he should continue.

At the end of 1990, MNB had deposits of £1.5bn, of which approximately half were from western banks and the rest from Vnesheconombank, the foreign trade bank.

It is understood that the Russian government made a similar commitment to the central banks in Germany, France, Luxembourg and Austria that it would provide financial backing for the Soviet-owned Banque Commerciale de l'Europe du Nord in Paris, the Ost-west Handelsbank in Frankfurt, the East West United Bank in Luxembourg and Donau Bank in Austria.

Moscow Narodny, the longest established of the Soviet foreign banks, has been operating in London since 1919. Vnesheconombank and Gosbank jointly own 51 per cent of the shares with 20 other Soviet institutions holding the rest.

The bank has slimmed down its operations sharply over the last two years during which assets have fallen from £2.5bn at the end of 1989 to current levels around £1.4bn.

The bank's reduced exposure to the Soviet market now accounts for around 50 per cent of its total business. "We would not like to increase that at present," Mr William Newman, the assistant general manager, said yesterday.

Republican foes hold talks

By Leyla Boulton

THE leaders of Azerbaijan and Armenia met yesterday in an attempt to defuse the threat of war following the Azerbaijani parliament's decision to claim control of Nagorno-Karabakh.

Passions over the Armenian-populated enclave inside Azerbaijan have triggered months of guerrilla warfare and an Azerbaijani blockade of Armenian energy supplies which has left the smallest Soviet republic shivering in the dark.

The decision will escalate fighting between Armenian guerrillas and Azerbaijani troops. It is also likely to speed moves by the two independence-hungry republics to create their own armies.

Azerbaijan's President Ayaz Mutalibov and his Armenian counterpart, Mr Levon Ter-Petrosian, were in Moscow for a meeting of the State Council – grouping leaders of all Soviet republics except Ukraine, Moldova and Georgia. Although President Mikhail Gorbachev is now trying to set up a buffer zone between the republics, his ability to broker a peace is marginal. Russia and Kazakhstan have been trying to do the same for weeks.

Nagorno-Karabakh is seen as sacrosanct by both sides: Armenia says it is part of ancient Armenia while the Azerbaijanis claim it is their land to keep and that it has never belonged to Armenians.

● Russian foreign minister Andrei Kozyrev yesterday joined his Soviet counterpart, Eduard Shevardnadze in fearing another coup attempt in the Soviet Union, Reuter reports from New York.

Mr Kozyrev said during a visit to Washington: "There is a danger probably of a coup d'etat but it will not solve any problems. It will just lead to bloodshed."

Mugged by a man in a wheelchair

Quentin Peel hears future adversaries slug it out in the German Bundestag

Bruising encounter: the acerbic Wolfgang Schäuble, left, and studious Hans Ulrich Klose

AN unlikely pair of maidens yesterday took the floor in the German Bundestag, to give the great German electorate a first flavour of their political future: of life after Chancellor Helmut Kohl and his old sparring partner, Mr Hans-Jochen Vogel of the Social Democrats (SPD.)

It was maiden speech day for the new parliamentary leaders of both Mr Kohl's Christian Democrats (CDU) and the opposition SPD, and their first big clash on the floor of the house in the all-important budget debate.

In the blue corner, Mr Wolfgang Schäuble of the CDU, 49-years-old, the acerbic, combative former Interior Minister, and crown prince to the Chancellor, his energy apparently undimmed by an assassination attempt in April which has left him wheelchair-bound.

In the red corner, Mr Hans-Ulrich Klose, aged 54, once an *enfant terrible* of the SPD, a former mayor of Hamburg and anti-nuclear campaigner, now in the mainstream of the party. He comes below Mr Björn Engholm in the party pecking order, but he must be a possible future Chancellor.

In the event, their styles could scarcely have provided more of a contrast.

Mr Klose was the first in the lists, to deliver a studious analysis of the range of German political debate, a text he read from the lectern like an earnest headmaster, spectacles on the end of his nose.

He congratulated his rival on his election this week as leader of the ruling party in the Bundestag – and wished him a happy time as eventual leader of the opposition. He then proceeded to denounce the record of the government: on the environment, immigration and asylum, for misleading the people over the costs of unification, over the failure of social protection in the east, the huge burden of half-hidden government debt, and the plan to raise value added tax and reduce company taxation.

It was all most scholarly, and restrained, as if he sought to belie his erstwhile reputation as a firebrand.

Mr Schäuble suffered no such restraint. Fidgeting in his wheelchair, waving his spectacles, playing with his handwritten notes, he proceeded to savage the headmaster like an aggressive school inspector – or simply a streetwise bully.

He took all the heckling (from a suddenly bumptious Mr Klose, too) with the aplomb of a practised parliamentarian, using his opponents to flesh out his arguments, all a matter of style rather than substance. He treated Mr Klose with exaggerated deference as he deflated his prose. He rounded on a member of the PDS – the successors to the old East German Communist Party – with a devastating: "With your record after 40 years of socialist dictatorship, I should just shut up."

He skated over the disagreements and inconsistencies in the policies of the ruling coalition (over asylum, old age care, abortion, state subsidies and the like) and hammered home its principal successes: the political achievement of unification, and the basis of a once-prudent budget from which to pay for it.

At the end of the round, one might sympathise with Mr Klose. Who will believe him when he says he was mugged by a man in a wheelchair. But we saw it happen.

German inflation has started to accelerate again while retail sales have slipped into reverse, writes Christopher Parkes in Bonn. Prices in Bavaria and Hesse during November were 4.4 per cent higher than a year earlier, according to provisional figures published yesterday. Baden-Württemberg recorded a 4.1 per cent rise, and North Rhine/Westphalia 3.8 per cent.

The figures seem to mark the end of a downward trend which took the index for west Germany from a peak of 4.4 per cent in July to 3.5 per cent in October.

September results from the HDE retail industry association also suggest the shopping boom has ended, at least in the west. After adjustment for inflation, sales were 0.6 per cent lower than in September 1990.

Mainstream parties fear Milan poll

By Haig Simonian in Milan

ITALY'S political establishment has suffered a further blow with the collapse of the Socialist-led centre-left coalition council in Milan, opening the way for a period of uncertainty and, possibly, early elections.

An early poll would be particularly harrowing for the major parties after this week's election in the city of Brescia, 60 miles from Milan, where the Lombard League regional party overturned the long-standing Christian Democrat majority to emerge as the largest party.

Mr Umberto Bossi, the leader of the League, confirmed yesterday that it would use its one seat majority in Brescia to form a new council and appoint a mayor.

The League's success, which indirectly triggered the Milan crisis, reflects the dissatisfaction among voters with mainstream parties.

The collapse of the Milan council followed the surprise decision on Tuesday night by four parties, including the reformed Communists and the Republicans, to precipitate a crisis by withdrawing support from the six-party coalition running the city since August 1990. The council had been teetering for months because of political differences between its members and a variety of construction-related scandals.

Should it prove impossible to form a new council within the alloted 60 days, early elections will be inevitable – as happened in in Brescia. Given the results there, the main parties, including the Christian Democrats, which in Milan form the main opposition grouping, will do their outmost to prevent another embarrassing electoral defeat.

Yugoslavia's neighbours try to contain the flames

Judy Dempsey, East Europe Correspondent, reports on the threat that the civil war poses to the other countries of the Balkans

BULGARIA and Hungary have asked for European Community observers on their borders with Yugoslavia fearing the civil war in Croatia will spread to their territory.

The requests, made both to the Community and to Lord Carrington, chairman of the EC-sponsored peace conference, are aimed at containing the war and preventing exploitation of the Yugoslav crisis by opposition parties, particularly in Bulgaria.

Mr Stefan Tavrov, Bulgaria's deputy foreign minister, said in Paris earlier this week that EC observers had to be sent by the end of the year because he believed Serbia might try to stir up trouble among ethnic Serbs in the republic of Macedonia which borders Bulgaria.

Mr Geza Jeszenszky, Hungary's foreign minister, was told by EC officials in Luxembourg that Community monitors, already in Croatia, would be also sent to the Yugoslav side of the Hungarian border. "But no decision has been made to send monitors into Hungary itself," a Hungarian diplomat said yesterday.

The requests by both governments follow similar pleas by the authorities in Bosnia-Hercegovina to send observers to this ethnically-mixed part of the country.

Mr François Heisbourg, director of the London-based International Institute for Strategic Studies (IISS), said yesterday: "If there is any effective action the European Community can now take, it is to send observers to those areas where there is still peace."

Over the past three months, the civil war in Croatia has affected Bulgaria and Hungary in similar, and different ways.

Both have been accused by Serbia of trying to annex parts of Yugoslavia. More than 600,000 ethnic Hungarians live in the Serbian-controlled province of Vojvodina, which was part of Hungary before 1918, while Macedonia is currently divided between Yugoslavia, Greece and Bulgaria.

President Jozsef Antall of Hungary, and President Zhelyu Zhelev of Bulgaria, have repeatedly denied such claims.

However, Hungary has had more than Serbian propaganda to contend with. Since June 25, when civil war erupted in Croatia following its declaration of independence, more than 40,000 refugees have fled to Hungary. The Budapest government has so far allocated Ft800m (£5.75m) from the budget to care for them.

In addition, aircraft from the Serb-dominated Yugoslav federal army have repeatedly violated Hungarian air space.

The Hungarian defence ministry has recently promised improved security arrangements on the border with Yugoslavia, but in the view of Mr Heisbourg of the IISS the country does not have the means to monitor, let alone defend, its air space.

"The Soviet forces, which has been stationed in Hungary [until earlier this year] provided all the radar equipment," he said. "To send monitors to that border would make sense, provided it was a straight-forward monitoring mission which could also deter illegal border crossings."

Bulgarian diplomats said yesterday that the EC monitors' role, apart from containing the war, might also contain the exploitation of the situation by the Bulgarian Socialist (ex-Communist) party. "The former Communists are now riding the nationalist ticket," said one. "They are trying to reawaken the idea of a Greater Bulgaria, which would include Macedonia. This is exactly the kind of propaganda which Serbian television is putting out."

In Macedonia, the government has tried to distance itself from both Croatia and Serbia, for fear that Mr Slobodan Milosevic, the Serbian president, will would encourage the 45,000 Serbs in the republic to declare autonomy, and try to make those Serb-inhabited region of Macedonia part of a Greater Serbia.

"If this happened, the nationalists in Bulgaria would then try to reclaim part of Macedonia. This would undermine our stability in all sorts of ways," the diplomat said. "The nationalists would then provoke the ethnic Turks in Bulgaria, who might then try to seek their own autonomy. It is a terrible nightmare."

Other diplomats said the 377,000 ethnic Albanians in Macedonia could also be provoked into seeking closer links, not only with the ethnic Albanians in the [Serbian controlled] province of Kosovo, but with Albania as well."

Mr Heisbourg said: "We must not make the mistake that this war can be contained to Croatia. There are huge potential trouble spots, which could affect the entire stability of the Balkans. The civil war must be prevented from spilling into other parts of Yugoslavia, and the whole region."

INTERNATIONAL NEWS

Israel challenges US peace process

By Hugh Carnegy in Jerusalem

ISRAEL yesterday challenged US conduct of Middle East peace talks when it refused to attend negotiations in Washington on the date proposed by the Americans, and reiterated its demand that meetings in the US capital be quickly moved to the region or close by.

At a cabinet meeting convened by the prime minister, Mr Yitzhak Shamir, the government said it was willing to resume in Washington talks begun at the Madrid peace conference late last month.

But it said that the bilateral talks with Syria, Lebanon and a joint Jordanian-Palestinian delegation should begin on December 9, not December 4 as proposed by the US, and should not be prolonged.

"Israel is ready to hold one or two meetings in Washington so that later negotiations will be conducted in the region or close to it," a government statement said.

The cabinet made no mention of an earlier demand that the talks in Washington be confined to procedural issues. It also suggested that the date proposed by Mr James Baker, the US secretary of state, in invitations sent out last week was inconvenient because of the Jewish festival of Hanukka, which does not end until December 9.


Foreign Minister David Levy explaining Israel's stance

But the cabinet decision was clearly calculated to confront what the government perceives as a hostile attitude towards it by Mr Baker and President Bush. Mr Shamir and his ministers were angry that Washington did not take account of their objections to holding indefinite, simultaneous bilateral talks in Washington, asking instead for unconditional yes or no answers to the invitation.

Their stance was condemned as petty and self-defeating by opposition leaders who warned against conflict with Washington. But the government statement said the US terms would establish a pattern similar to that of an international conference which Israel had always sought to avoid.

It said the Arab parties wanted to co-ordinate their positions against Israel and avoid as far as possible genuine face-to-face bilateral negotiations.

UN in appeal for Afghan funds

By Farhan Bokhari in Islamabad

THE United Nations agency channelling assistance to Afghanistan yesterday launched an international appeal for \$94.1m (£53.1m) in support of Afghan reconstruction programmes for next year.

The Office for the Co-ordination of Humanitarian Assistance to Afghanistan also appealed for supplies of 61,000 tonnes of wheat to prevent food shortages. In his annual report on the Afghan reconstruction programme , Mr Benon Sevan, a UN envoy, says the money is needed to clear about 10m mines which had killed 200,000 people and maimed another 400,000 during the country's 13-year civil war.

Land under cultivation has been reduced by 40 per cent. Life expectancy for women is 42 years while infant mortality for children under five is 298 per thousand. Responding to questions about recent reports on the misuse of UN funds, Mr Sevan said some of the funds had been unaccounted for because of difficulties in maintaining bank accounts in Afghanistan.

They had now been accounted for, he said, and a committee of the UN's general assembly is due to receive a report on the issue, next week.

S African cauldron of tribalism and politics

Faction fighting in the mines could claim many more victims, writes Patti Waldmeir

MR Makaya Ziwele's face is a mess of crushed bones and broken skin, and he cannot breathe without a ventilator. But the doctors say he will survive – unlike 84 of his colleagues at the President Steyn gold mine near the South African town of Welkom, killed in the last three weeks in faction fighting which could yet claim many more victims.

The fighting at the mine – the latest swell in a wave of violence which has swept South Africa since early last year – cannot easily be explained. Like almost every other incident of black-on-black violence, tribalism and politics, economic hardship and social strain combine to provoke men to murder.

Nobody knows why that lethal cocktail – present, to some degree, in every mine in South Africa – should have exploded only at President Steyn, one of the Anglo American Corporation's mines in the Orange Free State. The immediate cause was clear: a dispute between miners over whether or not to support the country's two-day general strike early this month. In the only serious incident of violence provoked by the strike, which union officials say was supported by more than 3m workers, 15 men died at President Steyn.

South Africa's ruling National Party faces possible defeat in a parliamentary by-election to be held today in the conservative Orange Free State constituency of Virginia, writes Patti Waldmeir.

The National Party won Virginia in the 1989 general election by a margin of 47 votes, but unhappiness with the political reforms introduced since then has led to a surge in local support for the ultra-right Conservative Party. The Virginia result could affect government plans to hold a referendum for white voters, as early as next year, to ratify reforms.

Outside a disused mine hostel, where refugees from the fighting are being housed, a group of about 100 gathers to tell their stories.

The men, highly politicised Xhosas loyal to the African National Congress (ANC), chorus their replies: they were attacked because they support the ANC and its affiliate, the National Union of Mineworkers (NUM). Several kilometres away, in President Steyn's number four shaft hostel, where much of the fighting has concentrated, the rival group – Basotho miners from the independent state of Lesotho who are ethnically related to South Africa's Sotho tribe – are segregated to keep the peace.

As foreigners, they want nothing to do with the ANC, or with the general strike which it sponsored to protest at the imposition of value-added tax in South Africa. "VAT has got nothing to do with us," says an articulate Basotho spokesman, who requests anonymity to avoid reprisals. "We joined the NUM because it was a union of mineworkers, not a political organisation."

Despite orders from the ANC that compliance with the strike call should be voluntary, Xhosa workers attacked a Basotho miner who tried to go to work as normal. The Basotho retaliated, and like in so many South African townships, normal life was sucked into a vortex of violence.

Both sides agree that the fighting is now rigidly tribal.

On one level, it is scarcely surprising that tribal violence should flare in the mines, where mining companies long kept workers in accommodation segregated by tribe. But miners at President Steyn's single-sex hostels – institutionally dreary, but far more pleasant than the blackened and broken down hostels where so much township violence has focused – have always been integrated. Nonetheless, Xhosas and Sothos have regularly battled at President Steyn.

According to anthropologist and labour consultant, Mr Kent McNamara, violence between black miners left 386 dead between 1974 and 1988. Basotho miners, who have dominated among the supervisory "team leaders" – or "boss boys", as they used to be called – have often clashed with Xhosas workers from the Cape province and the nominally independent Transkei homeland.

Both are migrants, but the Basothos have a longer history of mine work, and occupy jobs with a higher status. As foreigners, they feel vulnerable about their jobs in a troubled industry, and though well-represented in the union, they are unwilling to incur disciplinary action by supporting political strikes.

Tribal, class and political tensions were no doubt exacerbated by the simple fact of hostel life: thousands of men live together in communal rooms, migrants who see their families only infrequently. Sex is clearly a problem – as can be seen from an anti-Aids poster in number four shaft hostel – as is boredom and overcrowding.

Company spokesmen fear violence could spread to other gold mines, with 94,000 Basotho miners forming a large chunk of the industry's 366,000-strong workforce.

At President Steyn, the danger is clear: both sides say they can no longer live together. "Even if they (the Xhosas) come back, they will still want us to join the ANC," says the Basotho spokesman.

"They can kill us before we will join the ANC," he adds. The Xhosas – who have come off worst in the fighting – say they too want to remain segregated. They are openly planning revenge, to keep the cycle of violence at President Steyn active for some time to come.

Branches likely to be allowed rather than subsidiaries

Australia may ease rules for foreign banks

By Kevin Brown in Sydney

OVERSEAS banks are likely to be given easier access to the Australian market and permission to operate as branches rather than subsidiaries following a report published yesterday by a parliamentary inquiry into the banking system.

Mr Stephen Martin, the Labor chairman, said the changes would bring Australia into line with other financial centres and help increase reciprocal opportunities for Australian banks.

The recommendations are likely to be approved by Mr John Kerin, the treasurer (finance minister), who has previously indicated sympathy for further deregulation of the banking system.

The report says the Australian market should be open to banks based in countries which offer reciprocal access to Australian banks, subject to their ability to meet prudential requirements to be specified by the Reserve Bank.

Foreign banks would also have to offer protection for depositors similar to that offered to depositors with Australian banks.

Overseas banks were allowed to enter the Australian market in the early 1980s, when 16 licences were issued as part of the process of deregulating the banking industry. However, they were required to operate as subsidiaries, with their own capital, rather than as branches trading on the capital of their parent companies.

National Westminster, Barclays and Deutsche Bank were among a number of foreign banks which told the inquiry they were unable to compete with the domestic banks because of their higher cost of funds.

The committee said it was clear that branch banks would have a broader capital base and improved fund raising capabilities. It said the Reserve Bank was confident it could devise "suitable arrangements" to supervise branches.

Foreign bankers said the changes would attract more banks to Sydney, in line with government attempts to promote the city as a leading Asia/Pacific financial centre.

However, some said the report had failed to clarify the proposed mechanism for prudential supervision and deposit protection. Mr Richard Webb, chairman and chief executive of Barclays Australia, said the bank would probably establish a branch if the rules were changed, but would not decide "until there is a little more flesh on the bones" of the report.

The committee's conclusions on foreign banks were in line with other recommendations intended to increase competition in the banking market, which is dominated by four national trading banks. They include:

- increased disclosure of margins and charges;
- easier access to banking licences and inter-bank payment systems for building societies and credit unions;
- an inquiry into credit card interest rates;
- and detailed scrutiny of merger proposals between financial institutions to prevent diminution of competition.

The report was welcomed by the Australian Bankers' Association, which said it had avoided "the clichés of bank bashing".

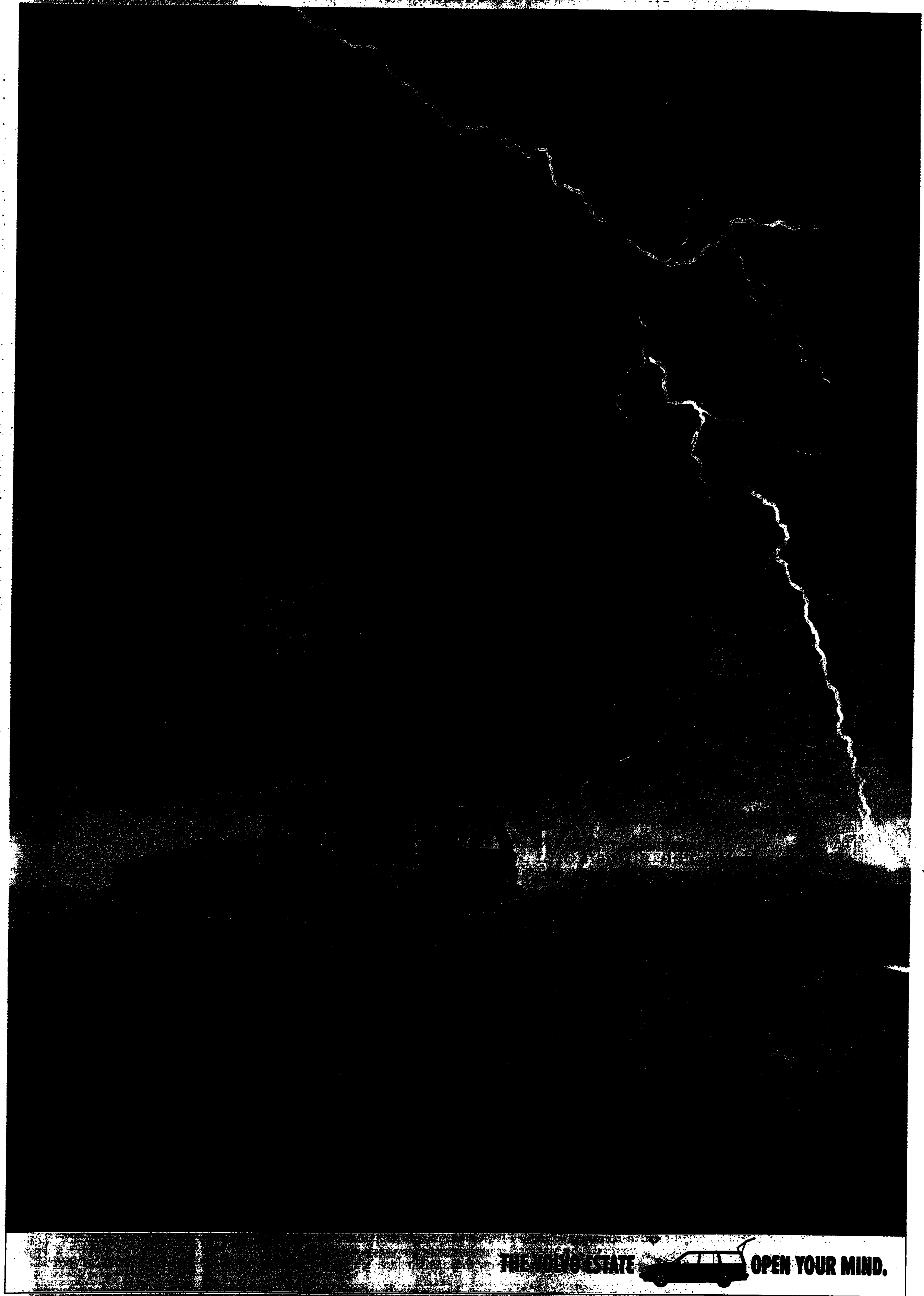
Moi critics have charges dropped

THE Kenyan government yesterday dropped charges against four of its critics arrested two weeks ago for planning to hold a pro-democracy rally, court sources said, Reuter writes from Nairobi.

The four, including Mr Jaramogi Oginga Odinga, a former vice-president and Mr Paul Muite, a leading human rights lawyer, were among at least a dozen opposition leaders arrested as the government moved to stop the banned November 16 meeting in Nairobi.

President Daniel arap Moi said on Tuesday that Mr Amos Wako, the attorney-general, should review the cases of those arrested.

Meanwhile, members of the opposition group which organised the rally, the Forum for the Restoration of Democracy (Ford), yesterday welcomed a decision by western donors to delay aid to Kenya pending economic and social reforms.


THE VOLVO ESTATE OPEN YOUR MIND.

Cambodians rush headlong to market

Committed capitalists are nervous about the lack of controls, writes Victor Mallet

CAMBODIA'S headlong rush from Marxism-Leninism has become so frantic in the last few months that even committed capitalists are nervous about the future of an uncontrolled and unintentional experiment in extremist free-market economics.

The formal economy has almost ceased to exist following the signing of the October peace accord that relegated the Vietnamese-installed government of Prime Minister Hun Sen to a caretaker role until UN-sponsored elections in 1993. The process set in train by the peace agreement was put in question yesterday when Khieu Samphan, a Khmer Rouge leader, was beaten up on his return to Phnom Penh. He was flown back to Bangkok.

Amid uncertainty about the nature of a future government, such commercial and financial regulations as do exist are widely ignored. Smuggling and corruption are rife, and foreign entrepreneurs are hurriedly exporting tropical hardwoods and buying state property from officials who apparently have no right to sell.

"Hun Sen is the best son of Margaret Thatcher," says Mr Raoul Jennar, a Brussels-based consultant. "It's real liberalism. In fact they are selling everything now." Cambodia, in the words of a Soviet diplomat, is "one of the freest markets in the world. In fact it's a free-for-all."

The results are startling. Phnom Penh, the capital, is experiencing an economic boom as foreign aid workers, UN officials and businessmen re-enter the country after 20 years of civil war. The streets are packed with new motorcycles and second-hand cars from Thailand, refuelled by roadside stalls selling petrol in old Fanta bottles. Traders are frantically refurbishing their premises.

Investors have focused on oil exploration – some deals have already been signed – and on tourism, while Cambodians of Chinese origin, with family connections in Singapore, Thailand and elsewhere, are taking the lion's share of the import-export business. One Thai bank has set up a joint venture.

'Cambodian officials are selling property they have no right to sell. They are selling everything. It's one of the freest markets in the world. In fact it's a free-for-all'

"It's almost the last part of the region to open up," said Mr Paul Prescott, executive director of The Aseana Hotel Corporation, which is embarking on a $2m renovation of the Grand Hotel near the famous Khmer temples of Angkor Wat, and planning to spend a further $15m-$20m on expanding the hotel. Aseana is a consortium including Thai, Israeli, Australian and Cambodian investors.

"It's a gamble, but it's first-come, first-served," he said. "People compare it to Bangkok maybe 40 or 50 years ago. Dairy produce, Coke bottling, you name it – it's not here yet."

Prince Norodom Sihanouk, the newly-returned hereditary monarch who heads the interim Supreme National Council, is enthusiastic about economic developments. "We are going to imitate Thailand in order to go fast towards development and prosperity," he told a news conference in the Royal Palace.

Tariffs are low and not always enforced, and prices for imported luxuries are as low as anywhere in the world. Goods are smuggled into neighbouring countries such as Laos and Vietnam, where tariffs are higher and some luxury imports are banned. It all began in 1989, when the government officially recognised the existence of the private sector and liberalised agriculture, paving the way for the privatisation of a state bicycle factory and other businesses. At the same time the trading relationship with Moscow and the Communist bloc started to collapse along with the Soviet Union.

But rampant free-marketeering has brought its problems. Inflation is running at several hundred per cent for some products and services, and growing corruption was inevitable in a civil service where typical wages for junior staff amount to between $5 and $10 a month. Cambodian officials, aid workers and diplomats are concerned about the economy's inability to absorb foreign assistance because of the loss of the many skilled people killed or exiled during the Khmer Rouge reign of terror between 1975 and the Vietnamese capture of Phnom Penh in 1979.

They are also worried by the contrast between the relative wealth of the capital and the poverty in rural areas. "There is Cambodia, there is Phnom Penh, and there is the Cambodiana (the capital's only luxury hotel)," said one aid worker who makes artificial limbs for land-mine victims.

The situation is often compared to the corrupt era of Lon Nol, the US-backed Cambodian leader overthrown by the Khmer Rouge 16 years ago, and it is feared that rural resentment will garner support for the anti-urban Khmer Rouge guerrillas. The government hopes that peasants will profit from the peace by selling more produce. Another fear is that Cambodia, even if it is successful, will make the same mistakes as Thailand, irreparably damaging its environment and ignoring infrastructural development until it is too late.

There are no reliable statistics about the state of the Cambodian economy, although the country's per capita Gross National Product certainly remains one of the lowest in the world. In the ministry of commerce, figures for dollar-denominated exports and imports are simply added to rouble exports and imports to give apparently meaningless totals in "rouble-dollars".

Mr Khieu Kanarith, a writer and former politician, says that nobody is in control of the economy. "Many people in the government have the wrong idea about the market economy," he said. "They think that by liberalising the economy they can solve everything – like a wonderful drug of which you take one pill and you can cure everything – but it's not right."

Some people are certainly doing well in Phnom Penh's cash dollar economy, but as one locally-based trader said: "It's only a few rich people making money. It is the law of the jungle."

Editorial comment, Page 12

South Korea's opposition members doze as parliament began a sit-in protest yesterday. The opposition Democratic Party claimed that President Roh Tae-woo's ruling party had forced disputed bills through parliament on Tuesday night – a move which led to fist fights.

Iraq 'is breaking UN export ban'

IRAQ is breaking a UN ban on exports by moving large quantities of equipment such as bulldozers across the border to Iran, a US Senate report said yesterday, Reuter reports from Washington.

The report, written by Mr Peter Galbraith, a foreign relations committee staff member who visited Kurdish-controlled Iraq in September, said Kurds had told of "whole factories" being among contraband waiting to cross the border.

The report also accused Iraqi President Saddam Hussein's government of extensive atrocities against the Kurds. Mr Claiborne Pell, committee chairman, called for strict enforcement of sanctions and limited military aid to opponents of the regime to help force Mr Saddam from power.

Mr Galbraith said that from the evidence he found at Haj Omran, on the Iranian border, "it is clear that Iraq is exporting its infrastructure to Iran at fire-sale prices".

Mr Galbraith said he saw in the town more than 30 large bulldozers, at least seven giant cranes, steam shovels and hundreds of big dump trucks, while parked along the road leading to the border were trucks laden with machinery.

China's communist old guard puts faith in nepotism

By Yvonne Preston in Beijing

THE delayed plenum of the Chinese Communist Party central committee has opened with the future of communism and the handing of power on to the children of party elders high on the agenda.

A meeting of the full central committee, which must take place before the end of the year, is expected to decide the next generation of China's leaders to ensure the party stays firmly in the hands of loyal Marxists.

Nepotism is a deep-rooted tradition in China closely associated with imperial China's mandarinate, and the plenum is expected to endorse the wholesale elevation of the children of party elders to top jobs, securing their inheritance when their octogenarian backers finally depart the scene.

The communist system faithfully echoes the old Chinese proverb, "when a man becomes an official, even his dogs and chickens go to heaven".

China's premier, Li Peng, is the adopted son of Zhou Enlai. New members of the party's ruling politburo, to be decided at the plenum, are expected to include Vice-Premier Zou Jiahua, son-in-law of the late Marshal Ye Jianying, and Yang Baibing, the brother of President Yang Shangkun,

The plenum is the last chance for the old guard to act on behalf of their chosen successors before the 14th party congress, to be held next year, formally anoints the leadership for the next five-year period.

The sons and daughters of the "third wave", sometimes known as the Gang of Princelings, include Chen Yuan, son of conservative economic guru Chen Yun, and Deng Yingtao, son of conservative ideologue Deng Liqun.

Between 30 and 50 members of the "faction of sons and brothers of senior cadres" are said to be headed for Central Committee membership.

During its three or four days of talks the plenum is also debating agriculture, with the leadership acutely aware of the contribution made by food scarcity to the collapse of communism in the Soviet Union.

Problems loom in the sector with the impending end to the 15-year period initially prescribed for the household responsibility system which replaced the communes in 1979.

Peasant farmers are anxious that the system which has helped enrich many of them will revert to collectivisation. Though this is unlikely, some element of the collective will have to be restored to build and maintain irrigation works and to ensure the state is supplied with sufficient grain.

The plenum is also expected to endorse the controversial Three Gorges dam project on the Yangtze River, despite strong international opposition from environmentalists.

Observers are divided about whether the new politburo members will be named when the plenum ends or only at next year's 14th party congress. The speculation is there will be four, among them Vice-Premier Zhu Rongji and Foreign Minister Qian Qichen. Their appointments would see the pro-reform strength of the politburo increased.

Japan leads Hong Kong manufacturing investment

By Angus Foster in Hong Kong

JAPAN has emerged as the largest investor in Hong Kong manufacturing, eclipsing the US for the first time.

Japan's total investment in Hong Kong manufacturing rose to HK$9.75bn ($1.2bn) in 1990, equal to 31.5 per cent of total foreign investment, pushing the US into second place with HK$9.47bn. China was the third largest source of foreign investment. Britain came fourth.

Japan has greatly increased investment in Hong Kong and in other South East Asian countries since the mid-1980s when Japanese manufacturers were adversely affected by the rising yen.

Hong Kong now ranks second to Indonesia as a location for Japanese investment, a statistic lauded by the Hong Kong government as proof of Japanese confidence in Hong Kong's future.

The Japanese investment has mainly been directed into electronics and electrical products.

However, Japanese businessmen have also been investing in southern China, where much of Hong Kong's manufacturing is now located, although this investment is not reflected in the Hong Kong figures.

The latest statistics, released by the Hong Kong government yesterday, provide mixed pointers for the colony's attractions as a manufacturing centre. Although overall foreign investment gained slightly to HK$30.93bn, the rate of increase fell for the second year running and investment from the UK, the Netherlands and Australia either remained static or fell.

Bhopal criminal case opens

AN INDIAN court yesterday opened hearings in a criminal suit arising from the lethal gas leak which blanketed the central Indian city of Bhopal in 1984 in the world's worst industrial disaster, Reuter reports from Bhopal.

Defendants in the case are the former chairman of the US-based Union Carbide Corporation (UCC) and eight executives of its Asian subsidiaries.

The chief judicial magistrate of Bhopal, Mr Gulab Sharma, said a proclamation declaring the former UCC chairman, Mr Warren Anderson, "an absconder from justice" should be posted. Indian officials say more than 3,800 people have died in Bhopal as a result of breathing lethal gas leaked from the UCC plant.

India's Supreme Court last month paved the way for the criminal suit when it upheld the $470m civil settlement. But the court overturned the part of the settlement which gave the company and its executives immunity from prosecution.

Opening of $1,700bn public procurement market near

By William Dullforce in Geneva

AN AGREEMENT on public procurement that would open up a potential market of some $1,700bn (£960.4bn) a year to international competition is within the grasp of negotiators working in the shadow of the Uruguay Round multilateral trade talks.

Over the past three months the European Community, the US, Canada and Japan have significantly narrowed their differences on how to revise and expand the code of the General Agreement on Tariffs and Trade (Gatt) on government procurement.

Although the crucial issue of how to liberalise telecommunications has still to be resolved, "the mood has changed and agreement by the *end of the year is no longer a* pipe dream", according to Mr David Hayes, the talks chairman.

Japan, in particular, has modified its earlier stance while the US administration has been working hard to change attitudes among its state agencies that earlier appeared to impose an insuperable obstacle.

The Gatt code established an international framework for the regulations and procedures *to be used in government pro*curement where discrimination in favour of domestic enterprises has been the common practice.

At present the code applies only to buying by central governments, covers only contracts worth more than SDR130,000 (£100,750) and is adhered to by only nine EC member states, the US, Japan, Canada, Austria, Finland, Hong Kong, Israel, Norway, Singapore, Sweden and Switzerland.

These countries have been negotiating an extension of the coverage to regional and local authorities and to public utilities in telecommunications, power, water and transport.

Another objective has been to encourage more countries to sign the code. The talks are not formally part of the Uru*guay Round but have been* conducted under its umbrella; they came to a standstill when the Round almost broke down last December.

Now a revival of discussions among the four big powers has led to breakthroughs on some smaller issues and raised the prospect of results on the major issues. A draft legal text was presented to the four last week.

In principle, they have accepted that the code should be extended to regional authorities and to utilities.

The EC and US are negotiating bilaterally the removal of the remaining obstacle which concerns the US demand for access to the EC countries' procurements of telecommunications and heavy electrical equipment and the EC's counter-demand for access to US state authorities, particularly urban transport contracts, and to regional telecommunication companies.

Washington wants the code's contract threshold lowered to SDR50,000 while the EC has stuck to SDR130,000 in its recent internal directives. Last week Japan announced that it would reduce its threshold to SDR100,000 for foreign bidders.

Mr Hayes reports broad agreement on the inclusion of challenge procedures under which suppliers would be able to test any aspect of a procurement process.

All countries except the US agree to include a "self-denial" clause under which governments commit themselves not to impose discriminating measures, such as *Buy American* or Buy British instructions, on their procurement bodies.

When coupled with the code's general non-discrimination obligation this clause could be a potent instrument for opening up markets to foreign suppliers.

The principle of extending the code to include government procurement of services in no longer disputed.

A compromise over which services to cover calls for the drawing up of a "universal list of tradeable services" on the basis of which countries would indicate those they wanted to include or exclude.

Construction services, where Japan is reluctant to include those bought by sub-federal public bodies, are likely to be dealt with separately and to carry a higher threshold, probably of SDR4.5m.

Congress backing for Soviet MFN comes as too little too late

CONGRESSIONAL approval of favourable trade terms for the Soviet Union is on its way to *the White House almost 10* weeks after it was requested, Nancy Dunne reports from Washington.

It paves the way for President George Bush to grant Most Favoured Nation trade status to the Soviet Union, to provide the lowest tariff rates available, and shows he did not win his reputation for caution *without due cause.*

MFN will arrive in the Soviet Union, where it still must be ratified by the shaky Soviet legislature months, if not years, after it might have made a contribution to Soviet economic reform.

For the past three years, US business interests have been urging MFN status for the *Soviet Union. Convinced that* President Mikhail Gorbachev wanted change in superpower relations, they hoped to push the process along. Even Congressman Charles Vanik, one of the authors of the Jackson-Vanik amendments, which linked *MFN* to emigration in the 1970s, urged the status be granted.

But the White House delayed, using MFN as a carrot to win concessions in arms cuts and other areas. With much fanfare President Bush signed the bilateral trade treaty with Mr Gorbachev in June 1990, but insisted it would not go to Congress until Moscow codified a free emigration policy.

MFN had been granted to other Communist countries, but none had been compelled to codify a law which, in the bad old days of the Cold War, would most likely have been a meaningless piece of paper. Emigration from the Soviet Union had reached such levels that it had to be limited.

The Soviets were expected to *gain little immediately for* their exports from MFN. About half of Soviet products already entered the US duty-free. But US business saw potential for a huge Soviet market if the reform process could be stabilised.

Hills starts to draw up China export hit-list

By Nancy Dunne in Washington

MRS Carla Hills, US Trade Representative, yesterday began selecting hundreds of millions of dollars worth of Chinese exports for potential sanctions, on grounds that Beijing had failed to protect intellectual property rights adequately.

Hills: more inquiries

After six days' talks, US and Chinese teams failed to agree on US complaints in time for a US-imposed deadline of Tuesday night. China's ministry of foreign economic relations and trade expressed "deep regret", and claimed negotiators had come to Washington with "a sincere and co-operative attitude". It called potential sanctions "unfair" and said the Chinese were not to blame for the talks failing.

Sanctions, probably 100 per cent tariffs, could equal the cost to US industry of lost sales due to lack of trademark, copyright and patent protection. US businesses see losses of $300m (£170m)-$400m on computer software, and $118m in sound and video-recording sales. The pharmaceutical and chemical industries see their losses at $160m a year due to patent infringement. The list of potential sanctions was to be put out by Mrs Hill's office late yesterday. It could lead to sanctions by China and more retaliation, ending what were until 1987 better trade ties. Mrs Hil office is also investigating m ket barriers under Section : of US trade law.

President Bush *stays* rel tant to move against Beiji whose co-operation he wa on nuclear non-proliferati But he has been forced int harder line by the US C gress, to stave off a revocat of China's Most Favou Nation status. The sancti list would have been put o month ago, but was delaye allow China time for a ch of heart.

Hong Kong fears damag

HONG Kong braced yesterday for the US announcement of which Chinese goods will be listed under Special 301 provisions, while businessmen said growing US-China trade friction threatened serious damage to the colony, Angus Foster writes from Hong Kong.

The Hong Kong government expressed concern at the US move. *Much of the* colony's manufacture has shifted to southern China since the mid-1980s, while almost 80 per cent of China's $15.2bn (£8.5bn) worth of exports to the US last year went through Hong Kong.

Mr Warren Williams, p dent of the US Chambe Commerce in Hong Kong, he hoped the US would tr minimise hurt to Hong K The US move is the sec shock for Hong Kong con nies this week. *On Monday,* consumer and labour grou announced a boycott of C nese-made toys for the Chri mas shopping period, alleg China uses child labour make them. Hong Kong t companies rely on southe China for cheap labour, p haps employing 750,000 wo ers across the border,

Call for Sweden to back east European investmen

By Robert Taylor in Stockholm

SWEDISH industry wants the country's new non-Socialist government to underwrite its new private investment projects in eastern and central Europe with at least Skr3bn (£283m) a year in credit guarantees until 1996.

The Federation of Swedish Industries said yesterday many companies were reluctant to invest in the area because of its uncertain outlook. Investment protection accords should be made with the Swedish government to lessen the risks involved in developing trade links with the country's eastern neighbours, it added.

The federation wants the Swedish government to provide SKr1bn a year for five years in aid to central and eastern Europe. It points out that Sweden has a good resource base for telecommu cations, transport, food dist bution and processing.

Until now, financial suppo from the Nordic countries h not matched their ardour f helping the newly-independe nations. Two years ago, t Swedish government launch a Skr1bn three-year aid pr gramme, but is now prepari a new financial package help its small eastern nei bours.

The federation wants improve economic growth the area through agreeme by Sweden's export credit gu antee board (BITS) contain an investment guaran clause. Industrialists fav Sweden negotiating free tr accords between Efta Poland, Hungary, Czecho vakia and the Baltic states

NEWS IN BRIEF

Sharp fall in export of Japanese vehicles

JAPANESE exports of four-wheeled vehicles to Europe a US fell steeply in October, with sales to Germany alone pl by 41.6 per cent, Steven Butler reports from Tokyo.

Worldwide exports fell 7.1 per cent to 478,140 vehicles pared to a year ago. Although sales to the US, which fell cent, have been sluggish for some time, sales to Germa been brisk. Exports to the European Community were d per cent. Exports of small cars were down 10.9 per cent. H Japanese car makers' invasion of the luxury market con with sales up 2.8 per cent to 118,580 units for cars with displacement over 2,000 cc.

Air France plea on competiti

Air France, France's national airline, is not ready to fac tered competition from big US carriers and will need prote enable it to adapt, Mr Bernard Attali, the company's ch has warned, George Graham reports from Washington.

At the International Aviation Club in Washington M called for an extension of the 1990 Franco-US aviation pact expire next October. Mr Attali said Air France was already considerable transatlantic competition, with nine US expected to fly to France next year from 16 US gateways

Great Belt drilling halted

MT Group, the contractor constructing the accident-prone rail tunnel under the Great Belt entrance to the Baltic, is drilling until a reassessment has been *made of safety* Hilary Barnes reports from Copenhagen. The Group i Denmark's Monberg & Thorsen, Campenon Bernard and S of France, Dyckerhoff & Widman of Germany, and Kiew struction of the US. The group's decision has caused con tion in ministerial and business circles. The DKr3.1bn (£28 tunnel is part of a DKr19bn project to construct road a links between Sjaelland and Jutland.

Study into Sea of Japan cable

A feasibility study is to be carried out on the technic economic aspects of laying an optical fibre telecommuni cable across the Sea of Japan between Vladivostok on th sian Pacific coast, Japan and Korea, Hilary Barnes reports.

The cable would mean a big increase in communications between eastern Russia and the rest of the world. The will be made by Denmark's Great Northern Telegraph Con and the Danish state's Telecom agency together with the tel munications agencies of Russia, Japan and Korea.

Figures show drop in US consumer spending

By Michael Prowse in Washington

A FALL in US consumer spending last month indicated yesterday that sharply lower consumer confidence is affecting purchasing decisions and could herald a grim Christmas season for retailers.

Forecasters, however, remained uncertain whether the US economy is temporarily stalled or on the brink of another recession. The confusion was increased by other data – including a rise in orders for durable goods and sharply lower claims for unemployment insurance – that appeared to send a conflicting signal of economic resilience. However, these indicators were heavily distorted.

The Commerce Department said consumer spending fell 0.8 per cent last month, the biggest drop since April. Financial markets had been expecting a slight rise in consumption, which accounts for two-thirds of economic activity. The personal savings rate rose, another sign of apprehension among consumers.

Personal income rose a marginal 0.2 per cent last month but this reflected distortions, including a big increase in subsidies for farmers. Excluding special factors, it fell 0.1 per cent. Wage and salary income contracted.

New orders for durable goods rose 3 per cent last month, an apparent relief after revised declines of about 4 per cent in both August and September. However, the increase largely reflected a surge in orders for defence transport equipment, which is notoriously volatile on a monthly basis.

Excluding transportation, orders rose only 0.1 per cent and were down nearly 6 per cent on an annual comparison. Orders for non-defence capital goods excluding aircraft – widely seen as the best guide to future capital investment trends – fell 1.9 per cent.

Initial claims for unemployment insurance, a closely followed indicator of employment trends, fell 80,000 to 413,000 in the week ending November 16, wiping out a sharp increase in the previous fortnight. However, the latest week's figures were distorted by the Veterans Day holiday and probably did not reflect the underlying trend.

The four-week moving average for claims rose to 445,000, having drifted higher since July, when it reached a low of about 400,000. Many economists regard 450,000 as a break point: a sustained move above this level is seen as a sign of recession.

● Balance of payments figures yesterday confirmed a sharp deterioration of the merchandise trade deficit in the third quarter. A 4 per cent increase in imports – mainly cars and consumer goods – pushed the deficit to $20.5bn, compared with $15.4bn in the second quarter.

The trade figures were consistent with a modest economic rebound in the third quarter, but do not contradict more recent evidence of economic stagnation. Exports increased by less than 1 per cent between the two quarters, indicating that overseas sales are unlikely to provide much stimulus for the stalled economy.

Washington compromise on bank reform

By George Graham in Washington

Brady: urged reform

THE House of Representatives yesterday passed a bill to overhaul US banking regulations and to provide more money for bank deposit insurance, after a marathon nine-month legislative gestation.

The compromise bill, finally hammered out after all-night talks between Senate and House negotiators, will bring some significant changes to the way bank supervisors handle weak banks. But it stymies almost completely the US Treasury's efforts to allow banks to expand into businesses such as insurance, stockbroking and real estate.

It also kills a measure to allow banks to open branches outside their home states, a move which the Treasury had argued could save the faltering banking industry as much as $10bn a year in unnecessary administrative costs.

The heart of the bill, finally agreed by a Senate-House conference at 5.30 yesterday morning, is the recapitalisation of the insurance fund, managed by the Federal Deposit Insurance Corporation (FDIC), which guarantees US depositors if their bank should fail.

The bill provides:

● The bank insurance fund's line of credit at the Treasury will be increased to $30bn from $5bn. These borrowings are to be repaid in 15 years out of insurance premiums paid by the banks.

● The fund may also borrow working capital up to 90 per cent of the value of its assets, which could increase its overall borrowings to $70bn.

The bill also regulates the way bank supervisors, including the Federal Reserve and the FDIC, must oversee the banking system and deal with weak banks.

● Banks must be examined at least once a year, with a federal examination at least every other year. Well-capitalised institutions with assets of less than $100m may be examined only every 18 months.

● Prompt intervention by regulators will be required if banks fall below specified capital adequacy levels. Undercapitalised banks will be prohibited from distributing dividends, paying unusually high interest rates or seeking brokered deposits.

● The FDIC will have to deal with failed banks in the cheapest possible way for the deposit insurance fund, and from 1995 will be prohibited from reimbursing uninsured deposits – so curbing the "too big to fail" doctrine. A loophole is allowed, however, if the Treasury Secretary on the advice of the Fed determines that these rules would pose a grave risk to the economy.

Virtually no attempt is made to limit the scope of deposit insurance, which many economists had argued was the single most important measure needed to prevent the costs of bank failures from escalating.

● Deposit insurance will still cover accounts of up to $100,000. However, by combining accounts a family can easily protect up to $1.4m. Over 75 per cent of US deposits are now insured.

● The FDIC may continue to reimburse foreign deposits, on which deposit insurance premiums are not currently assessed, but must recoup the cost by a levy on other banks with foreign deposits. This measure affects an estimated 150 US banks with around $225bn of foreign deposits.

● The FDIC must devise a system for weighting deposit insurance premiums according to risk. Risk-based premiums should be in place by mid-1994.

Eliminated from the bill are a controversial proposal to limit the interest rate banks may charge on credit card balances, and a measure which would have allowed "non-bank banks" (financial service companies which, unlike full banks, can be owned by commercial companies) to expand.

But the bill will allow limited room for banks which by means of of a loophole in Delaware state law have started selling insurance to continue to do so. Insurance industry lobbyists had fought to close this loophole, which essentially benefits Citibank and Bankers Trust. It will also allow the Fed to lend money directly to securities firms in emergencies, such as a stock market crash.

Treasury secretary Mr Nicholas Brady was among those who had called for urgent, fundamental banking law reform.

LEGAL NOTICES

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
LOGIC 2000 PLC

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 20 day of December 1991 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of the solicitors, if any, to David J Corney of CORK GULLY, at 43 Temple Row, Birmingham, B2 5JT, the liquidator of the said company, and, if so required by notice in writing from the said liquidator, or by their solicitors or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 20 day of November 1991

David J Corney
Liquidator

WELFORGE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Grand Hotel Colmore Row, Birmingham on 5 December 1991 at 10.00 am for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT between 10.00am and 5.00pm on 3 December 1991 and 4 December 1991.

DATED - 18 November 1991

By order of the Board

Director/Secretary

TUSTIN ENGINEERING LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: 43 Temple Row Birmingham B2 5JT on 2 December 1991 at 11.00am for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham B2 5JT between 10.00am and 5.00pm on 28 November 1991 and 29 November 1991.

DATED - 19 November 1991

By order of the Board

Director/Secretary

Steel Fabrications (Lye) Limited

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Grand Hotel Colmore Row, Birmingham on 5 December 1991 at 11.30 am for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham B2 5JT between 10.00am and 5.00pm on 3 December 1991 and 4 December 1991.

DATED - 18 November 1991

By order of the Board

Director/Secretary

SOVEREIGN COMPONENTS LIMITED

Registered number: 2226103
Nature of business: Manufacturer of electrical switch gear components
Trade classification: 07
Date of appointment of joint administrative receivers: 19 November 1991
Name of person appointing the joint administrative receivers: National Westminster Bank PLC
David John Corney and Ian Napier Carruthers
(Office holder nos 061 and 814)
Cork Gully
43 Temple Row
Birmingham B2 5JT

Notice of intended dividend

In the matter of
THE INSOLVENCY ACT 1986
and in the matter of
M H TAYLOR (CIVIL ENGINEERING) LIMITED

NOTICE IS HEREBY GIVEN that it is my intention to declare a final dividend to unsecured non preferential creditors of the above named company. Creditors who have not yet done so are required, on or before Friday 20 December 1991 to send their proofs of debt for the attention of Robert Young at Cork Gully, 43 Temple Row, Birmingham B2 5JT and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

Signed: Joint Liquidator

Date: 21 November 1991

Middle America pushed to sharp end

Barbara Durr reports on how Peoria finds itself at the centre of an economic drama

Glyn Genin

Caterpillar in action: losses have been accumulating on the company's balance sheet

PEORIA, deep in the US state of Illinois, has long been considered the quintessential middle American city. Fittingly, it is now the stage for a drama about the transformation of the US economy.

The plot is not unfamiliar: international competition pits a US company against a union that fights to keep jobs and the high standard of living it has traditionally brought its members.

But this time it has the makings of an epic struggle: the participants are Caterpillar, the world's largest maker of earth-moving equipment, and the powerful United Auto Workers; and the ending will help shape not only the fate of Peoria but the direction of US labour relations.

Caterpillar, the city's largest employer, is fighting over a new contract with the UAW. Since negotiations broke down this month, the dispute has brought a partial UAW strike of 2,400 workers, a company lock-out of 6,000 others, and lay-offs of 500 more. Now, both sides are so far apart that a total strike is possible and a return to the bargaining table is not expected for months.

While those affected are spread across three states, it is the people of Peoria who are most deeply worried. Many still wince as they remember the pain of 1982, when the UAW waged the longest Caterpillar strike in its history and the city nearly went under. Thousands of jobs were lost as Caterpillar halved its workforce to 18,000, and the ensuing general downturn pushed local unemployment to more than 16 per cent. The slump, which lasted until 1986, was so deep that it prompted some 27,000 of Peoria's 340,000 residents to leave in a decade.

The city is again bracing itself for a siege, although local government officials and business leaders bravely assert that Peoria is better prepared.

After the 1982 calamity, says Mr James Maloof, Peoria's mayor and indefatigable booster, "This community woke up and said 'We can't let this happen again'." Peoria set about lessening its dependence on Caterpillar, diversifying its economy and adding more services, especially focusing on medical treatment centres, biotechnology and telemarketing. Its traditional three-to-one ratio of blue-collar to white-collar workers is now one-to-one, with increases in service industry jobs speeding change as advanced technology pared manufacturing employment.

As elsewhere in the Midwest, Peoria has fared relatively well through the latest US recession, thanks in part to exports of machinery such as Caterpillar's, but also to greater diversification. Yet, with losses accumulating on Caterpillar's balance sheet – it recently said fourth-quarter losses will exceed the $86m (£48.5m) it lost in the first nine months – and with strikers receiving only $100 a week from the union, Peoria has the jitters, and its apprehension seems warranted.

The dispute is shaping-up as a do-or-die battle, with both sides pouring in formidable resources. The company, having geared up for the confrontation since the start of the year, is sitting on several months' worth of inventory, and the union can draw on a fat $800m strike fund.

Central to the dispute is the concept of "pattern bargaining", the source of the UAW's strength. It is the union's traditional method of winning a set of concessions from one employer in an industry and then applying them to others, as it has done for years with Detroit's big car markers.

The UAW wants Caterpillar to match the recent settlement won from Deere & Co, but management refuses, challenging the very idea of pattern bargaining. It argues that an agreement similar to that at Deere, whose sales are not nearly as international as Caterpillar's, will make it globally uncompetitive. It points out that its main competitor is the Japanese company Komatsu, which is non-union.

While the international competition argument may be compelling, Mr Donald Fites, Caterpillar chairman, has infuriated the union by suggesting that the gap between the wages of US and Mexican workers ought to narrow. Caterpillar is even disinclined to accept a company-wide contract: it wants separate settlements. It also wants to shift some of its health care costs, which last year rose 14 per cent to $271m, to added payments for hourly workers.

Such a settlement would strip the union of power and spell trouble for negotiations elsewhere. "If the UAW makes Cat the exception, there'll be a lot more exceptions down the road," says Mr Tobias Levkovich, an analyst with Smith Barney, Harris Upham.

With so much at stake, neither side appears willing to bend. But Peorians are hoping that the dispute will not seriously wound their community once more. They are keen to stay on the map, as a recent promotional coffee mug testifies. It reads: "London, Rome, Paris, Peoria."

UK 'will not be forced into signing Emu treaty'

By Peter Norman and Charles Leadbeater

THE UK government will not be forced into signing unacceptable treaties on European economic, monetary and political union through worries that the pound could fall sharply on foreign exchange markets, Mr Norman Lamont, the chancellor of the exchequer, made clear last night.

But in an appearance before a House of Commons committee, he stressed that whatever the outcome of next month's European Community summit in Maastricht, the government would stand by its commitment to keep sterling in its present fluctuation margins in the exchange rate mechanism of the European Monetary System.

He said that if the government reached agreement in Maastricht it would be because it was on terms advantageous to Britain.

"We would not make a decision just on the position of the pound in the currency markets", he said.

Earlier, he had delivered a moderately upbeat assessment of the current negotiations on Emu.

Although the current draft of the monetary union treaty was "far from perfect", the talks had moved more in the direction Britain wanted as they had become more detailed, he said.

"I do not wish to imply that we are home and dry. We are not," he said. "But I am hopeful that we will be able to get a deal at Maastricht that the *prime minister* will be able to recommend to Parliament."

At the committee meeting, Mr Lamont underlined that the government would not accept any agreement at Maastricht that committed the government to a single currency. Britain would only sign an agreement with an "opt-in" clause, he said.

He also said that nothing decided at Maastricht would justify holding a referendum.

He said that if the government decided against taking sterling into economic and monetary union, he could envisage "ERM type link" between the pound and the European currency unit. Another alternative might be to float the pound, although he stressed that such decisions lay far in the future and it was difficult to see what might happen by 1998.

Mr Lamont was also pressed by MPs on the present state of the UK economy. He admitted that the recovery "was slow in coming" but added "I believe it will come."

He rejected suggestions that he should give it an artificial stimulus or that recent disappointing economic indicators showed that monetary policy should be looser.

Slow monetary growth, a flat housing market and rising unemployment were signs that Britain had been through a difficult recession.

To give recovery a boost would "achieve nothing" and would risk throwing away what the government stood to gain he said.

BROADCASTING

Radio watchdog to investigate London station

By Raymond Snoddy in London and Kevin Brown in Sydney

Under pressure: LBC, broadcast from studios in London (above), is facing an inquiry by the Radio Authority

LBC, one of London's leading commercial radio station's, is likely to be investigated by the Radio Authority, the industry's watchdog, following serious losses by its overseas shareholders and allegations that it breached regulations by failing to keep a complete record of airtime transmissions.

The allegations – contained in a dossier compiled by the NUJ media union on LBC's owners, Crown Communications – focus on the financial stability of LBC's largest shareholder Aspermont, an Australian company which reported a net loss of A$12.9m in the year to June 1991.

Investigators are also expected to examine the output of Independent Radio News, the national news service for commercial radio in which Crown Communications has a 40 per cent stake.

The future financial stability of Crown and its ability to provide the necessary funds for a quality news service are being questioned following revelations that Aspermont, the company's largest shareholder, made a loss in each of the last two years and KPMG Peat Marwick qualified its latest accounts because liabilities exceeded assets by A$41.5m.

Borrowing facilities have been extended until the end of July next year conditional on significant debt reduction. Aspermont shares were trading at 13 cents earlier this week.

Concern at the performance of the Melbourne-registered company has grown because analysts fear it could cut spending by subsidiaries with stakes in European broadcasting companies.

Aspermont has two subsidiaries – Darling Downs TV and Laser Lab, a loss-making engineering company with interests in Germany and the US. Darling Downs owns 27.42 per cent of Crown Communications Group, which in turn owns 100 per cent of Crown Radio, which owns LBC, Independent Radio Sales, and 35 per cent of RFM, the French commercial radio network.

Shares in Darling Downs TV have dropped from A$7.20 in October 1988 to 28 cents this week.

In the UK meanwhile, Crown Communications has been badly hit by recession but LBC's listening figures have been rising and debt has been reduced to around £12m after disposals and a £4.8m rights issue. The company has also made a £13m investment in a 35 per cent stake in RFM.

A number of other commercial radio stations in Britain have urged the Radio Authority to also examine Newslink, the organisation through which UK stations fund Independent Radio News (IRN).

Mr Jimmy Gordon, chairman of the Radio Clyde group said he wanted a clearer distinction in future between LBC and IRN.

The dossier sent to the Radio Authority by Mr John Foster of the National Union of Journalists (NUJ) includes confidential documents on Newslink and IRN including minutes of board meetings.

It alleges that in recent months the master recording required by broadcasting legislation has been often interrupted to "lift" material for promotional tapes or to retrieve lively exchanges. In the past radio stations which did not keep a full record of their broadcasts have been fined by the regulators.

The dossier includes a message from Mr David Johnston, news editor of Radio Forth in Scotland complaining about the quality of the IRN service.

"The truth is that IRN is so desperately understaffed you are unable to provide credible coverage of anything beyond voicing up PA [the domestic news agency]."

The NUJ document was produced after around 100 redundancies at Crown and the company decided to de-recognise the union and introduce individual contracts. It says that if Aspermont were to collapse "the repercussions for LBC/IRN are profound."

Crown Communications declined to comment last night.

Eurotunnel claims court victory over contractors

By Andrew Taylor, Construction Correspondent

EUROTUNNEL, the Channel tunnel operator, last night claimed a High Court victory in its battle to prevent contractors from carrying out their threat to halt work on part of the £8bn project.

Transmanche Link, a consortium of five British and five French construction companies contracted to design and build the rail tunnel under the Channel, had threatened to stop work on installing a cooling system in the tunnel unless it was paid more for the job.

The consortium had asked the court to dismiss Eurotunnel's application for an injunction to prevent the contractors from carrying out their threat.

Mr Justice Anthony Evans, in a private judgment in the Commercial Court in central London, yesterday dismissed the application by Transmanche to suspend the proceedings and awarded costs to Eurotunnel.

He said Transmanche had given an undertaking not to halt work on the cooling system without giving 14 days' notice to Eurotunnel.

He did not think it necessary to grant an injunction at this stage but gave Eurotunnel leave to return to the court if notice of stoppage was received from Transmanche.

Eurotunnel, commenting on the judgment yesterday, said: "This is all we needed." Transmanche was expected to appeal.

The contractors are locked in a row with Eurotunnel over which should pay for a huge increase in the cost of the construction project, which has risen since 1987 from £4.8bn to £8.05bn.

Transmanche is claiming extra payments of up to £800m at 1985 prices, including a £160m additional management fee, to cover the increased cost of fitting out the rail tunnels, including the installation of the cooling system, and building two passenger terminals at Folkestone, Kent, and Sangatte, near Calais in northern France.

The contractors say the cooling system was not included in the original design for the project and that money provided by Eurotunnel to pay for its installation was insufficient.

Negotiations are continuing between the two sides to try to resolve the row over responsibility for the substantial rise in costs.

Labour backs moves to European integration

By Ivo Dawnay, Political Correspondent

THE leadership of Britain's opposition Labour party completed its high-wire act on Europe yesterday by winning approval from the ruling national executive committee for a delicately balanced statement on political union.

The policy paper marks the conclusion of an eight year turnabout from advocacy of British withdrawal from the European Community to guarded backing for further integration.

The document advocates the development of political accountability within the EC, before making it clear that "the pace of change... will require constant reappraisal of the way in which the Community operates".

Far from federalist in tone, it emphasises that the inevitability of Community enlargement will require a major review of existing institutions and their inter-relationship.

In the so-called "deeper versus wider" debate between those advocating further close integration of the 12 before an enlargement of the Community, Labour appears determined that the priority should be put on speedy territorial expansion.

Similarly, the policy paper shares the long-standing posture of the government by defending Britain's view that certain aspects of Community activity, such as foreign policy and defence, should continue to be conducted at inter-governmental level.

Several other EC socialist parties, not least France, reject this analysis, arguing instead that the EC should be pressing ahead with a defence and security structure increasingly independent of Nato and the Atlantic alliance.

Equally cautiously, it reiterates Labour's opposition to the creation of a European "super-state" arguing for the maximum application of the principle of subsidiarity, by which power is devolved downwards to the lowest appropriate level of decision-making.

One unexpected paragraph calls for the creation of a new body "created to represent the regional voice in the community" to be included in the treaty – a proposal not hitherto envisaged in drafts currently under consideration.

Elsewhere, the document reiterates earlier Labour policy decisions. It supports:

- Qualified majority voting at the Council of ministers on social and environmental issues;
- More powers for the European Parliament over the Commission
- the promotion of the Social Charter of employment and workplace rights.

Ministers criticised over trading law

By Ralph Atkins, Neil Buckley and John Thornhill

Rumbold: mild rebuke

RETAILERS and local authorities united yesterday in criticising the UK government for not adopting a clear approach on Sunday trading as ministers announced that no action would be taken against supermarkets which flout the existing Sunday trading laws.

Mrs Angela Rumbold, home office minister, gave only a mild rebuke to shops planning seven-day trading in the run-up to Christmas. She refused to go further than saying she "did not condone" the plans of leading supermarkets – despite calls from Labour and Tory MPs for her to insist on the rule of law.

Mr Alan Baldwin, the executive secretary of the National Chamber of Trade which represents many independent retailers, said: "Our view is that the government is being two-faced about it all. We have the home secretary saying people must obey the law and pay the poll tax but now he is turning a blind eye to Sunday trading."

The government hopes to reform the 1950 Shops Act next year, Mrs Rumbold said. But, since the Commons rejected a shop hours reform bill six years ago, no workable, enforceable and acceptable compromise has yet been found.

Officials indicated that even an early rise in the present £1,000 maximum fine appears *to have been ruled out.*

Her statement, amid angry scenes in the House of Commons, re-opened dramatically the divisions in the main political parties over Sunday trading and highlighted the legal confusion which has erupted since Tesco led the way in declaring it would be opening from this Sunday.

J. Sainsbury, the grocery chain, was among several other leading retailers which yesterday joined the ranks of those preparing to open their stores on Sundays in December.

Sir Patrick Mayhew, attorney general, told MPs that he *had decided not to intervene in* the dispute, saying it was the primary responsibility of local authorities to enforce Sunday trading laws.

He acknowledged that the uncertainty over cases currently before the European Court had impeded the ability of councils to win injunctions against law-breakers. The court is expected to rule early next year on whether British law is compatible with free trade articles in the Treaty of Rome.

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Jobs lost as inflation in Europe converges

By Edward Balls

CONVERGENCE of inflation rates in Europe is occuring, but at the cost of high unemployment according to an article in the latest National Institute Economic Review.

Consumer price inflation differentials among members of the European exchange rate mechanism have narrowed dramatically over the 1980s. But the process is not yet complete.

France, Belgium, Denmark and Ireland have all brought their inflation rates down to close to German levels after experiencing high inflation rates at the beginning of the 1980s. But the recent inflationary surge in the newly united Germany has exaggerated the apparent degree of convergence. Germany's annual inflation rate has risen from around zero in 1986-7 towards 4 per cent this year.

But nominal convergence has been bought at the cost of substantially higher unemployment as a result of the deflationary monetary and fiscal policies that have been necessary to keep inflation down.

Countries that have not attempted to converge – Greece and Portugal – have experienced substantially lower unemployment. The authors estimate that inflation convergence has so far cost 700,000 jobs in France and a million jobs in Italy.

The UK, Spain and Italy have found it more difficult to control wage and price inflation, the paper argues. As a result, their international competitiveness has deteriorated in recent years.

Nor have long-term interest rates in these three countries converged on those in the low inflation countries. This suggests that financial markets expect their future short rates to remain higher than those in Germany.

Economists urge government to support monetary union

By Peter Norman, Economics Correspondent

ONE of Britain's leading economic research institutes yesterday told the UK government it should *make a clear* decision and give full support to economic and monetary union (Emu) in Europe.

In its latest quarterly review, the National Institute of Economic and Social Research, said Britain had to ask itself how far it needed to preserve its ability to conduct an economic policy independent of, and different from, that of the rest of Europe.

"The option of being completely independent is already in effect closed off. Little would be gained from a reluctant and half-hearted involvement.

"The best outcome now would be a clear decision from the UK government giving full support to economic and monetary union," it said.

The institute has argued for some time that a European central banking system will achieve better results for Britain than an independent monetary policy.

In its review, it notes with evident approval that the economic union currently being negotiated "is characterised by non-intervention" and that economic policy action at the centre will be kept to a minimum.

Its report says that the treaties to be signed at the Maastricht summit will leave important questions undecided.

Although the impression is given of a set timetable leading to a clear objective "in practice no-one can know how events will shape themselves even a year or two ahead."

The institute says that economic union will be very heterogeneous in character and bound to change as more countries become members of the European Community. As a result it will sometimes be impossible to impose a common economic policy on countries that want to go their own way.

The institute is concerned, *however, that the draft treaty* contains no clear account of how the community could act together to offset Europe-wide booms and slumps.

"Perhaps it will be best for finance ministers to set fiscal policy in each member state, with just a friendly exchange of views as to how their decisions affect each other at the level of the community as a whole," it said.

- The institute said it expects unemployment will rise to around 10 per cent of the working population or just under 2.8m, compared with 2.47m in October. Such an increase would represent a marked slowdown in the growth rate of unemployment compared with the 800,000 jump in Britain's jobless total between the first half of last year and the third quarter of 1991.

BRITAIN IN BRIEF

More troops to be sent to Ulster

An extra army battalion has been sent to Northern Ireland increasing the number of regular British troops from 10,500 to more than 11,000. The decision to send the Gloucestershire Regiment follows persistent calls from within the province for security reinforcements in response to a recent upsurge in sectarian killings.

The move, announced by Mr Tom King, defence secretary, during a visit to Armagh, comes almost a fortnight after 1,400 part-time members of the locally-recruited Ulster Defence Regiment were called out for full-time duty to reinforce street patrols.

Support for EC treaty

More than 70 per cent of the British public support the inclusion of a social dimension in the new European Community Treaty according to a survey *conducted for the Trades* Union Congress. The TUC is at odds with the government on this issue with the latter fighting to prevent any extension of qualified majority voting in EC social legislation.

Banham to take new post

Mr John Banham, the CBI's retiring director general, (pictured above) is set to become one of the most powerful figures in local government as chairman of the Local Government Commission which should be set up next summer. The commission is the brainchild of Mr Michael Heseltine, environment secretary, who is regarded as a close friend and political ally of Mr Banham.

The commission will conduct a far reaching review of the structure of local government to assess whether the two tier system of county and district councils should be streamlined and the councils' boundaries revised.

Welsh roads to be improved

The government is spending £195m on roads in Wales during the financial year 1992-3, a rise of £26m over the current year. This means a start will be made on the last stage of the M4 motorway.

Large rise in student figures

The number of full-time students at polytechnics has risen by 16 per cent this year says the polytechnics' funding council. Mr Kenneth Clarke, education secretary, welcomed the figures as "encouraging evidence that the government's policies, aimed at giving more opportunities to young people to receive higher education, are being completely successful".

However, other figures *released show that graduate* unemployment has also risen sharply in the past year, with former polytechnic students faring worse than their university counterparts.

Court delays increase

Lord Donaldson, a senior judge, has warned that delays in the hearing of appeals in civil cases are worsening despite efforts to speed up the process. The elimination of court delays was a "pipe dream", Lord Donaldson said, but he hoped serious consideration would be given to increasing the number of appeal court judges and to improving the system for dismissing hopeless cases.

Early Bible fetches £1.1m

One of the earliest print Bibles (pictured above) w sold for £1.1m at Christie's London to the New Yo dealer H.P. Kraus. Known the Spencer-Liverpool 36-li Bible it was printed in Ba berg, Bavaria in the late 145 using type cast from matric struck in the workshop Gütenberg, who printed t first Bible. The book had be owned by Lord Liverpo prime minister in the ear 19th century.

Young criticise on Rover sale

A series of shortcomings in t government's sale of the Rov car group to British Aerospa has been disclosed in a dam ing report by a Commons co mittee. The Public Accoun Committee, which monito public spending, criticis implicitly Lord Young, the f mer trade and industry sec tary, for failing to obtain val for money in the £150m de Re-opening the controver over the 1988 sale, MPs list "main lessons" to be learnt f future sales of public asse and calls on the Treasury revise its guidance on priva sation "best practice".

Problems over rivers break-up

The break-up of the Nation Rivers Authority to form pa of the government's propose national environment agen would lead to serious manag rial problems, Lord Crickhov ell, chairman of the NRA h warned. He told a Commo environment committee th he would also face problen from his own staff, who wou face a massive upheaval on two years after the authorit was established.

Industry backs campaign

Opportunity 2000, the high-pr file campaign to improve t position of women in the wor force, launched last month, h now recruited the majority government departments ar is likely to sign up substanti numbers of new compani throughout industry over t coming weeks. 61 compani had been recruited by the tim of the launch.

CINEMA

All eyes on blind cruelty

Nowhere is blindness more poignant than on a movie screen. Hundreds of pairs of perfectly focused eyes – the audience's – converge on a single victim of sightlessness. The blind beggar in *Los Olvidados*, the heroines of *Peeping Tom* or *Wait Until Dark*, the young photographer in this week's Australian film *Proof*: they all share one thing. The familiar responses to blindness, from compassionate understanding to condescension or impatience, are writ large by the Olympian relationship of seeing filmgoer to unseeing character.

Proof, a superb writing-directing debut by Jocelyn Moorhouse, turns a young blind man's relationship with two friends into a moral power game. It is Cinema of Cruelty, but edged with humour and a muscular compassion.

When Martin (Hugo Weaving) lost his sight as a child, he lost his trust in other people. Flashbacks etch in his disillusionment with Mum, who used to voice "lying" descriptions of the garden view from his bedroom window. Today Martin tests the trustfulness of others – young restaurant worker Andy or Martin's lovestruck but spiteful helper Celia – by taking photographs and asking them to describe what they see.

Final verification is impossible. All Martin can do is weigh different versions and try to deduce who is lying. Here, for instance, are the snaps he took in the park. Was Celia there when his dog briefly "disappeared"? Was Andy with her? Was the dog being cruelly held back by one of them? The simple questions breed deeper questions. Is Andy in league with Celia? Is Andy in love with Celia? Is Andy . . . ?

At best *Proof* takes on the droll, tragic nihilism of a Beckett play, spiralling from quotidian exasperations to cosmic despair. Film-maker Moorhouse surrounds her hero with friends of the who-needs-enemies variety. Andy is lumpy and lazy if goodhearted, Celia is a suburban ball of spite who carefully, quietly strews furniture in the blind man's path.

But the cruellest character of all may be Martin himself. Sightless, he is also tearless. He has groomed himself for impassivity. Unseeing, he whirs with sensory or supersensory alternatives: a human ESP machine intolerant of short attention spans (Andy) or of long-nurtured adoration (Celia). Martin is cruel because he has learned how to function. He even knows how a blind man can get served in a snooty Italian restaurant. "Accidentally" pour your wine over the tablecloth until the waiter rushes up with a cloth, a salvo of "Mamma mias" and an ordering pad. We can all learn things from the disadvantaged.

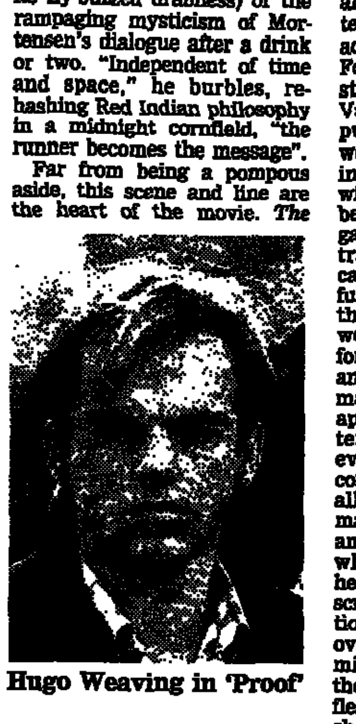
★

In Sean Penn's *The Indian Runner* the blind lead the blind and the one-eyed movie camera is king. Writing-directing debuts by former brat-pack actors once married to famous rock stars sound like brochures for Hell. But Penn on this showing is a natural. His camera eye darts straight to the essentials in this tale of a Bad Brother (Viggo Mortensen) returning from Vietnam to lay waste the lives of his Good Brother (David Morse) and his small-town Oregon family.

Mortensen is a devil-driven wastrel who taunts failed farmer turned cop Morse with Morse's small-time ambitions; who makes life hell for the blonde gamine he marries and makes pregnant (Patricia Arquette); and who provides one more sound reason for despair-prone Pop (Charles Bronson) to blow his brains out with a hunting rifle.

It could have been Eugene O'Neill with mangel-wurzels. It ends up like *Rebel Without A Cause* spiked with Strindberg: a family crack-up tale given a passionate pessimism by Penn's slangy-downbeat dialogue and mobile camera. Scenes that might have been portentous never are: the tragedy-triggering shooting of a speed violator by Morse, the death of Bronson (harrowing in its fly-buzzed drabness) or the rampaging mysticism of Mortensen's dialogue after a drink or two. "Independent of time and space," he burbles, rehashing Red Indian philosophy in a midnight cornfield, "the runner becomes the message".

Far from being a pompous aside, this scene and line are the heart of the movie. *The*



Hugo Weaving in 'Proof'

PROOF
Jocelyn Moorhouse

THE INDIAN RUNNER
Sean Penn

HOT SHOTS
Jim Abrahams

VALMONT
Milos Forman

ENCHANTED APRIL
Mike Newell

IRON MAZE
Hiroaki Yoshida

Indian Runner is about hardening arteries in the America Dream: about how the country's formative energisers (Mortensen) can now only dream themselves into violent self-destruction while its tamed guardians of law (Morse) rue the loss of passion and adventure. Civilisation has its price; pioneer romance has its sell-by date.

★

The three-man team who brought us *Airplane!* have never stopped bringing us things ever since. After Jerry Zucker's *Ghost* and David Zucker's *The Naked Gun 2½*, here comes Jim Abrahams' *Hot Shots*.

Quite hot, but not sizzling. A *Top Gun* spoof transplanted to a thinly disguised Gulf War (Saddam H gets a nuclear bomb in his lap as he sits by a hotel pool), the film alternately simmers and spits. The best jokes hit one straight in the eye: valet aircraft parking on the US carrier, hero Charlie Sheen daydreaming himself as an accident-prone Rhett Butler, and every scene involving Lloyd Bridges as an eccentric C.O. whose sun-squeezed squint is the outward and visible sign of his intellectual myopia. (He likes also tutus.) Elsewhere, this is easy, affable fun which could be postponed until video release when stop-start viewing might enhance enjoyment.

Nigel Andrews

It is hard to believe that Milos Forman's *Valmont* is based on the same Laclos novel as Stephen Frears' *Dangerous Liaisons*. Where Frears used this oeuvre to create a cynical, claustrophobic movie, Forman has combined large-scale visuals with full-blooded characterisations to make for a more accessible and enjoyable film. For those who don't know the story, it follows the seducer Valmont (Colin Firth) as he pursues a virtuous married woman (Meg Tilly), spurred on in his efforts by a devilish widow (Annette Bening). What begins as a seemingly harmless game of seduction soon turns tragic as the players are caught out by their own deceitfulness and amorality. To tell this tale, Frears employed a wordy script with strident performances by John Malkovich and Glenn Close, whereas Forman chooses a more human approach, letting his characters be motivated by real events rather than abstract concepts. Not surprisingly, this allows for some fine performances, especially from Firth and the astonishing Bening, who is quickly establishing herself as one of the strongest screen presences of her generation. Viewers who were bowled over by Frears' nervy cynicism might be disappointed, but those who like a little more flesh and blood to their tragedy should be well satisfied.

Much less dangerous relationships an be found in *Enchanted April*, a gently perceptive story of four English women who flee London and its complications for a month's stay in Italy in the early 1920s. The women – a flaky idealist (Josie Lawrence), a melancholy saint (Miranda Richardson), a poor little rich girl (Polly Walker) and a tough old war horse (Joan Plowright) start off at odds with one another, but are soon won over by the idyllic Italian countryside, providing each other with the strength to deal with the various men who follow them to their retreat. Although the plot smacks a bit heavily of Forster, director Mike Newell and his talented cast bring enough subtlety and grace to the project to make it a cut above the normal Brits-abroad film.

There is a much less happy traveller at the centre of *Iron Maze*, the story of a young Japanese tycoon (Hiroaki Murakami) who is grievously assaulted soon after arriving in a Pennsylvania steel town and announcing his plans to turn the decrepit mill into an amusement park. An unemployed steel worker (Jeff Fahey) confesses to the crime, though the local sheriff thinks there is more to the story than meets the eye. His plodding investigations soon involve the tycoon's American wife (Bridget Fonda). Though based upon the same short story Kurosawa used for *Rashomon*, *Iron Maze* never comes close to that earlier film's labyrinthine brilliance. Director Hiroaki Yoshida's overly slow style and clumsiness with flashbacks keep the viewer at a distance, and to make matters worse, it becomes clear whodunit at about the halfway mark. Some mazes are easier to get through than others.

Stephen Amidon

Katie Behean and Clare Lawrence

Alastair Muir

The Bright and Bold Design

THE PIT, BARBICAN

Peter Whelan's new play is full of poetry, politics and plates. Set in the Potteries in 1935 – shortly before the general election of that year – *The Bright and Bold Design* contains many other pleasures besides.

The hand-painting of the plates, cups and saucers is largely women's work, though the plant is owned by a man, Hector Brabant, whose father owned it before him and probably his grandfather before that. This is a time of relative depression, low wages and shrinking markets. Hector, played by Paul Webster, is a conservative when it comes to design: he likes his plates to be decorated with tulips and Michaelmas daisies. The revolution of a kind occurs when he introduces a new designer, Jim Rhys, who not only has ideas of his own, but develops the latent talent of the female work force.

Not the least of the play's delights is the search for new patterns: saxophones, ocean liners and even, in a touch of socialist realism, pylons begin to compete with the flowers. Another is when a boy apprentice seeks a job among the women: "This is women's work," they say, but he gets the job on merit. His initiation is to be obliged to kiss the whole lot of them.

Rhys, however, is not just a new school designer. He is a member of the Labour Party with a dog called Marx. He does not just read the *Manchester Guardian*; he writes letters to it, which of course bring his politics to the attention of the local bosses.

The essence of the plot is the way Rhys brings out the artist in Jessie Frost, one of the women workers who also paints in her own right. There is no affair between them, though the attraction is plainly mutual. Where Rhys goes too far is in believing that because Jessie is talented she must therefore be a socialist. "Women should not waste their vote once they have it". They must vote Labour to show that Stoke-on-Trent is "not where the mugs come from".

The piece is not without irony. Rhys is in favour of hunting and shooting wood pigeons "because they lack a sense of social purpose", but he does it with a pistol and refuses to get dressed up for the ritual. "Changing the world with our tea-sets" means selling them cheap to working people, which means cutting the workers' wages.

Rhys is splendidly played as a great hunk of man by Clive Russell; the more tortured Jessie with equal skill by Katie Behean.

This is the third Whelan work to be shown at The Pit and he is still developing. Direction is by Bill Alexander with some wonderful potters' designs by Kit Surrey.

Malcolm Rutherford

Roses and Revolutions

QUEEN ELIZABETH HALL

Hans Werner Henze passed his 65th birthday in July and the London Sinfonietta, ever faithful to those senior figures who have provided the staples of their repertory for more than 20 years, is marking the event with a three-concert celebration, "Roses and Revolutions". The series began on Tuesday with a complete performance of the evening-long *Voices*, which Henze wrote for the Sinfonietta in 1973.

Voices is Henze's songbook: settings of 22 poems for mezzo-soprano, tenor and 15 instrumentalists, written at the height of his political engagement and drawing on a bewildering range of literary sources. Alongside the "classic" texts by Heine and Brecht there are anti-Vietnam protests by Erich Fried, black-power anthems, revolutionary celebrations by Miguel Barnet and Hans Magnus Enzensberger; Henze matches them all with the breadth of style that has been both the strength and weakness of his music throughout his career.

At the core of the cycle is a homage to the songs of Weill, Eisler and Dessau; Henze borrows their idiom for some of the most searching moments in the cycle. But elsewhere he offers a tour of his own multi-voiced language: there are numbers that rekindle the easy Italianate lyricism of his music of the late 1950s, others that descend into the agit-prop expressionism of a decade later, yet more that make affectionate parodies of popular styles. It is music of marvellous surprise and sharp piercing beauty which, given the very sharp historical and political focus of the texts, dates very little. There is a persuasive argument that Henze's development has always been too undisciplined to produce a string of great works, but of all his music of the last 20 years *Voices* is his closest approach to that masterpiece.

When it was new, the cycle was very much a Sinfonietta party piece. The score requires the instrumentalists to double on a host of exotica: the clarinettist plays a lotus flute, the flautist an ocarina; the oboist is required to tackle a mouth organ and the first violin a mandolin; at one point the male players form a crooning chorus to underpin a tenor solo. There seems much less panache in the orchestra's versatility these days, and indeed this performance had far less instrumental personality than one instinctively expects from their concerts. Oliver Knussen conducted with great care and control; the excellent soloists were Fiona Kimm, seductive, scarifying, imploring by turn, and Nigel Robson, favouring easy intimacy over vocal weight.

Andrew Clements

Dublin honours its writers

What is brownish in colour, decorated with dogs and deer, and looks like a piece of tapestry gone astray? Answer: James Joyce's waistcoat. Or rather a waistcoat made by Joyce's grandmother for his father, later worn by the writer himself. This unusual garment, together with a collection of memorabilia ranging from pipes and spectacles to typewriters – lots of typewriters – is to be found in the splendid new Writers' Museum in Parnell Square North, Dublin. My

The museum is more than a mere collection of souvenirs, though. It is a serious attempt to recount Dublin's literary history in brief, and a forum for the literary-minded of today; it is also a magnificent building, which, like so many of the Georgian masterpieces of the city, has been rescued in the nick of time from the vandalism of neglect.

It, and the Writers' Centre which adjoins it, until 1980 housed the College of Marketing and Design. They stood empty, slowly decaying, for five years; the original 18th century fireplaces were stolen. But what remained was still restorable: fine, Adam-style ceilings, plasterwork by Michael Stapleton, and a refurbishing by Alfred Darbyshire in the late 19th century which endowed the house with some anachronisms – like stained-glass windows with figures representing Music, Literature, Art and Science on the stairwell – but also gave it a striking first-floor salon with a colonnade and a frieze and ceiling of almost tropical exuberance. After a two-year programme of restoration the building was opened last week by Irish Prime Minister Charles Haughey.

Examining the display cases devoted to Swift, to the 18th century dramatists, to Maria Edgeworth and Tom Moore and Bram ("Dracula") Stoker, above all to the glory days of the late 19th and early 20th centuries, I find myself pondering yet again: why Ireland? and why Dublin? Does the museum give us any clues to that? Not directly, I think. The best any museum can do is illustrate; it can hardly explain. But a disproportionate number of the writers whose portraits look out at us were lavish with words: an Irish peculiarity.

Whatever the reason, the country and its capital have more than their share of good writers and not a few less good: Pat Seager, the museum's first director, told me that one Dubliner in ten can be expected to produce some sort of book in his lifetime. It is also well-known that the place is swarming with writers who do not actually put pen to paper.

From all of which it is clear that the Writers' Museum will not lack either for subject-matter or for clientele – especially since it has a bar, a coffee-room and a restaurant. In addition to the permanent exhibition, there will be a non-stop programme of occasional shows devoted to writers not in the top league but interesting nevertheless, plus others featuring writers from other countries: Gunter Grass has just opened an exhibition of his own graphics about Calcutta.

Financially, it is not exaggeration to say that the museum owes its existence to the EC Structural Fund, which provided I£1.8m out of I£2.3m cost. The fact that it is a Dublin, not a national, institution means that it must pay for itself within the next two years. There will have to be 100,000 annual visitors if it is to survive. I think it will reach the target easily.

Victor Price

Pygmies in the Ruins

LYRIC THEATRE, BELFAST

Ron Hutchinson has managed – almost – to write a play about Belfast which is more than liberal hand ringing and plaintive breast beating. Of course there is a "why, oh, why" flow to it, lines like "the crack [the local blarney] stops us from feeling", but this successor to his acclaimed *The Rat in the Skull* offers a serious historical study of the suffering city within the popular format of the whodunit, and without the bludgeoning finale that "we are all to blame".

Washburn (Sean Scanlan) is a contemporary police photographer who gets traumatised by the death – IRA execution or suicide? – of a young Catholic. Mulcahy (Harry Towb) is a successful Victorian doctor puzzled by the body of a poor servant girl from West of the Bann discovered on a building site – again, suicide or murder? Their investigations upset the status quo of the times and threaten the careers of both men.

In the first act the 1991 and the 1871 plots are pursued through parallel scenes. In the second act the audience accepts a surrealist leap when Mulcahy fast-forwards and suggests to Washburn that they join forces in their search for truth. As Washburn takes him on a tour of modern Belfast he is aghast that this city, which in optimistic 1871 seemed to offer Ireland the way out of priest ridden obscurantism, should remain squalid and divided, its great opportunities squandered by feuding.

There is something here for realists and romantics: is it all happening in Washburn's battered brain, or is it a philosophical search for the soul of Ulster? Then Hutchinson gets over-clever and stereotyped images fly thick and fast – a brutal police interrogation; the temptation of leaving for safety abroad – as an exile or an emigrant?; even that celtic canard about a mystically doomed plot of land. Of course it is the dead at the impressive finale who spell out the uncomfortable truths.

But if the messages outstretch the format, *Pygmies in the Ruins* is shot through with dramatic images: in particular, a scene where children pose as classical virtues while the Victorians bicker over the conflict between commerce and truth as they plan the decoration of another grand bank; and the tableau of the young man, shot dead on the sofa in front of the television, being offered a cup of tea by his catatonic mother.

It seems hard to write a play about Belfast without hauling in a century or more of history. To an outsider this is a stark, moving drama totally rooted in time and place, but of compelling general interest. Eoin O'Callaghan directs a committed cast on a sparse set at the back of which stretches a bleak wall scarred by a crack. By the end the crack has widened.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

Deutsche Oper 20.00 Peter Schaufuss's production of Giselle, also Sat. Tomorrow: L'elisir d'amore. Sun: Don Giovanni (West Berlin 3410 249)
Schauspielhaus 20.00 Hans-Peter Frank conducts the Berlin Sinfonietta in an all-Mozart programme, with Magdalena Hajossyova soprano soloist. Tomorrow and Sat: Claudio Abbado conducts the Berlin Philharmonic Orchestra in Strauss' Tod und Verklarung and Bruckner's Fourth Symphony (East Berlin 2272 261)

■ BONN

Oper 20.00 Dennis Russell Davies conducts Jean-Claude Riber's production of Die Zauberflöte, with a cast including Matthias Hölle, Paul Frey, Hellen Kwon and Angela Maria Blasi. Sun: Hans Graf conducts revival of Riber's staging of Don Giovanni. There are no further opera performances till Dec 7 (7736 667)

■ BUDAPEST

The State Opera repertory includes a ballet evening tomorrow (Anna Karenina) and Donizetti's Anna Bolena on Sat. The Erkel Theatre has Hungarian-language performances of L'elisir d'amore tonight and La Gioconda on Sat. Tonight at the Academy of Music, the Symphony Orchestra of the Liszt College of Music gives a concert of works by Mendelssohn, Bruch and Beethoven. Tomorrow at the Bartok Memorial House (Csalan ut 29), the Bartok Quartet plays string quartets by Mozart. On Sat, the Budapest Strings give a concert at the Obuda Social Circle (Kiskorona ut 7). Pre-booking for concerts at the National Philharmonic Booking Office (Vorosmarty ter 1) and for opera at the Central Theatre Booking Office (Andrassy ut 18), also at theatre box offices.

■ DRESDEN

Tonight's all-Mozart concert by the Dresden Staatskapelle in the Kulturpalast is conducted by Colin Davis, with Paul Badura-Skoda piano soloist. Repeated tomorrow (4842 731). On Saturday and Sunday, Andras Ligeti conducts the Dresden Philharmonic Orchestra in Berlioz's Symphonie Fantastique and Gershwin's Piano Concerto, with Eric Le Sage (4866 306). The programme at the Semperoper includes weekend performances of Hansel and Gretel and Der fliegende Holländer (4842 731).

■ GOTHENBURG

Konserthus 19.30 Okko Kamu conducts the Gothenburg Symphony Orchestra in a suite from Swan Lake and Rakhmaninov's Second Piano Concerto, with Mikhail Rudy, repeated tomorrow at 18.00 (167000)

■ THE HAGUE

Tonight's concert at Dr Anton Philipszaal is a piano recital by Marc Laforet, with music by Chopin, Debussy and Ravel. Tomorrow, Ingo Metzmacher conducts the Residentie Orchestra in the Bach/Webern Ricercare, K A Hartmann's Sinfonia tragica and Gubaidulina's Offertorium, with Jaring Walta violin soloist (360 9810)

■ LEIPZIG

Gewandhaus 20.00 Gary Bertini conducts the Gewandhaus Orchestra in Schoenberg's Pelléas et Mélisande and Brahms' First Piano Concerto, with Barry Douglas. Repeated tomorrow (7132 252). Tomorrow in the Opernhaus: The Nutcracker (7168 273). Tomorrow in the Musikalische Komödie: Fiddler on the Roof (7168 273)

■ LONDON

THEATRE
National Theatre
The Madness of George III: a new play by Alan Bennett, following the progress of the king (Nigel Hawthorne) beset by delirium, fearful doctors, ambitious politicians and an impatient heir. Opens tonight. The repertory also includes Bennett's popular stage adaptation of The Wind in the Willows, and Di Trevis' production of Brecht's The Resistible Rise of Arturo Ui, starring Antony Sher (071-928 2252)
Royal Shakespeare Company
The Strange Case of Dr Jeckyll and Mr Hyde: the classic Robert Louis Stevenson tale in a new stage adaptation by David Edgar, directed by Peter Wood. The RSC repertory at the Barbican also includes Oscar Wilde's rarely seen comedy A Woman of No Importance, directed and designed by Philip Prowse with a cast led by John Carlisle, Carol Royle and Julie Saunders (071-638 8891)
Young Vic
The Snow Queen: Hans Christian Andersen's classic fairy tale has been adapted for the stage by Nick Stafford for the Young Vic's Christmas show. Gerda is played by Sarah-Jane Holm, Kai by Fraser James and the Snow Queen by Jane Maud. Directed by Karen Stephens and Chris White. Now previewing, Press night tomorrow. Runs till Jan 4 (071-928 6363)
Theatre Royal
Becket: powerful performances from Derek Jacobi and Robert Lindsay in Anouilh's play about the relationship between Henry II and the archbishop (071-930 8800)
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962
MUSIC AND DANCE
Covent Garden 19.30 Royal Ballet in choreographies by Fokine, Ashton, Robbins and MacMillan, repeated on Mon. Tomorrow: David Bintley's Cyrano. Sat: Simon Boccanegra (071-240 1066)
Royal Festival Hall 19.30 Mark Wigglesworth conducts the BBC Symphony Orchestra in Deryck Cooke's performing version of Mahler's Tenth Symphony. Tomorrow: Heinrich Schiff plays Dvorak's Cello Concerto with the Finnish Radio Symphony Orchestra. Sat: James Judd conducts the RPO (071-928 8800)
Barbican 19.45 Prokofiev Festival: Mstislav Rostropovich conducts the LSO in the Third and Fourth Symphonies, with Martha Argerich soloist in the Third Piano Concerto. Sun: Rostropovich conducts Alexander Nevsky and plays the Sinfonia Concertante (071-638 8891)
Sadler's Wells 19.30 London Contemporary Dance Theatre, also tomorrow and Sat. Next Tues: Paul Taylor Dance Company begins a two week season (071-278 8916)

■ NEW YORK

Recommended shows on Broadway include Nick and Nora, an Arthur Laurents/Charles Strouse musical murder mystery set in Hollywood in 1937, currently previewing (Marquis 382 0100); the original Dublin Abbey Theatre cast in Brian Friel's 1991 award-winning play Dancing at Lughnasa, directed by Patrick Mason (Plymouth 239 6200); City of Angels, Larry Gelbart's long-running musical thriller directed by Michael Blakemore (Virginia 239 6200); Park Your Car in Harvard Yard, a two-character play by Israel Horovitz (Music Box 239 6200); and On Borrowed Time, Paul Osborn's comic fantasy directed by George C Scott (Circle in the Square 239 6200)

■ ROUEN

The Opéra de Normandie presents a new production of Cosi fan tutte at the Théâtre Charles Dullin de Grand-Quevilly tomorrow, with further performances on Dec 1, 3, 6 and 8. The cast includes Sophie Fournier, Isabelle Poulenard, Francis Dudziak and Jean-Marie Frémeau (3571 4136)

■ UTRECHT

Tonight's programme at the Vredenburg concert hall consists of chamber music by Prokofiev, Schubert and Mozart. Tomorrow at 12.30, there is a free lunch concert by the Euridice Quartet, with string quartets by Mozart and Debussy. Tomorrow evening, Shlomo Mintz plays Beethoven's Violin Concerto with the Rotterdam Philharmonic Orchestra. On Saturday, Hans Vonk conducts the Netherlands Radio Philharmonic Orchestra in Bruckner's Sixth Symphony, plus Liszt's First Piano Concerto with Earl Wild (314544)

■ VIENNA

Staatsoper 18.30 Donald Runnicles conducts Idomeneo, with a cast led by Peter Schreier. Tomorrow: Die Zauberflöte. Sat: Samson et Dalila with Agnes Baltsa and Vladimir Atlantov (51444 2960)
Volksoper 19.00 Oscar Strauss' operetta Ein Walzertraum. Tomorrow: Johann Strauss' Eine Nacht in Venedig. Sat: Die Fledermaus. Sun and Mon: Lehar's Der Graf von Luxemburg (51444 3318)
Musikverein 19.30 Bruno Weil conducts a programme of Schubert orchestral and choral music, repeated tomorrow (505 8190)
Konzerthaus 19.30 Gidon Kremer is conductor and soloist with the Deutsche Kammerphilharmonie, with music by Schnittke, Beethoven and Mozart, repeated tomorrow (7124 6860)

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CNN
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1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads
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0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
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Living with Kohlonomics

THE BEST test of whether an independent central bank is doing its job is how unpopular it is. By that criterion, the Bundesbank is performing excellently. At present, for example, it is being pressed by the politicians over what are largely the effects of the German government's policies. Better that it be blamed than that it monetise the government's fiscal deficits; better still, however, if those deficits were to be more rapidly reduced.

Mr Jürgen Möllemann, Germany's economic minister, has suggested that a further increase in German interest rates is unlikely, and has indicated his hope that they would decline next year. Similarly, Mr Pierre Bérégovoy, the French finance minister and, as such, quite as interested in the Bundesbank's policies as Mr Möllemann, has asserted that there is "no reason for the Bundesbank to raise its interest rates". In view of the political pressure he is under, the wish must be father of the thought.

Politicians propose, but the Bundesbank disposes. That is its *raison d'être*. But this does not mean it can, or should, be unaware of the political context. "Independent" is not a synonym for suicidal.

In late 1987, for example, the Bundesbank lowered the discount rate to the exceptionally low level of 2½ per cent under fierce pressure from Mr Helmut Kohl. Similarly, the Bundesbank is unlikely to raise interest rates in the next couple of weeks. It cannot wish the Germans to be any more unpopular at the Maastricht summit of the European Community's heads of government than is strictly necessary.

Money increase

Subsequent increases in interest rates, though far from probable, cannot be ruled out. The 14 per cent increase in broad money (M3) attendant upon monetary union proved more inflationary than had been hoped, largely because of the subsequent collapse in east German output. Partly for this reason, the Bundesbank lowered its monetary target to 3-5 per cent during the summer and, for credibility's sake, will wish to keep monetary growth within it. Recently, however, M3 has been growing more rapidly than this. Given wage pressure as well, Dr Hans Tietmeyer, the Bundesbank's outspoken deputy president, should be taken seriously when he insists that an all-clear signal on interest rates would be dangerous.

Disinflationary pressure

Nevertheless, an interest rate increase is not inevitable: first, because the Bundesbank does not like to be that predictable; second, because the fear of higher interest rates can be as effective as the reality; and, third, because the recent strength of the D-Mark is imposing the disinflationary pressure it wants.

For a Bundesbank that knows it has to live with political realities, present pressure could, in fact, be worse. It is better to be subject to political pressure against doing something – raising interest rates – that it probably does not *wish to do, rather than in* favour of doing something – lowering rates – that it almost certainly does not want to do. But it would be better still if the pressure were put on the German government instead.

The economics of Mr Kohl are the fundamental cause of high interest rates in Europe. Germany's neighbours should let the Bundesbank do what an independent central bank ought to do. They should also compliment the German government on its commitment to European political union. But they should insist that its pro-European rhetoric is belied by policies that are, in effect, extracting resources from the rest of Europe in order to fund east German reconstruction.

US and Vietnam

THE HOSTILE reception accorded to Mr Khieu Samphan, the Khmer Rouge leader, on his return to Phnom Penh indicates how difficult it will be to reach lasting peace in Cambodia. It also points up *continuing inconsistency in US* policy in Indochina.

The wrath of the Cambodian people is understandable. So is the implied sympathy of the authorities who allowed the attack to occur. But this is scarcely likely to encourage Khmer Rouge guerrillas to lay down their arms. That they do so is crucial for the peace process agreed in Paris last month. This accord has encouraged countries around the world to support the Supreme National Council, which is to rule on an interim basis until UN-sponsored elections. But no-one knows when these can take place, or what sort of government – potentially communist or involving the Khmer Rouge – might result.

The US is among countries to have sent an ambassador to Phnom Penh. Despite the uncertainty about Cambodia's future, it seems sensible to give backing to a process which represents the only chance of ending that country's protracted misery. But it makes all the more inconsistent US tardiness in restoring relations with Vietnam.

Hanoi may still have a communist government but it has recognised the failure of central planning and embraced capitalism. Its efforts to create a free-market economy out of a wasteland of repression and poverty are severely hampered by the US bar on diplomatic and business links.

The US maintains the ban on *Vietnam even though it has* said it will soon lift its embargo on Cambodia. This prevents any IMF and World Bank financial backing for Vietnam's structural economic reforms. By contrast, the US *has striven to maintain* relations with China despite being at odds on trade, democracy and human rights. It worked hard, with other countries, for the Cambodian accord. It says it will send an ambassador to neighbouring (and communist) Laos. Given this evidence of a broad view fostering peaceful regional development, the reticence towards Hanoi is out of step.

Last week the two sides began talks on normalising relations, but there is no sign that a breakthrough is imminent. The US has set out a "road map" under which ties would be gradually restored based on progress towards peace and democracy in Cambodia and tracing US servicemen unaccounted for after the war in Indochina. Vietnam, belatedly, has begun co-operating on both counts.

In declaring that the Gulf war had exorcised the Vietnam trauma, President Bush was only partly right. The lesson has yet to be applied to US relations with Vietnam itself, where the wound still runs deep. But it should not be allowed to fester forever. Now is the time for the US, in a strong world position, to make a gesture to its former tormentor. Just as it is doing in Cambodia, Washington should encourage the reform process in Vietnam, not hinder it. It is precisely the sort of problem that, elsewhere, the secretary of state has proved adept at tackling.

Sunday shopping

SHOPLIFTERS now know where to go. They may pinch a toffee from Tesco, an apple from Asda, safety matches from Safeway, a sausage from Sainsbury's. The presumption must be that in any such case no store detective will come forth. There will be no prosecution. There is only one stipulation: they must indulge their *kleptomania on a Sunday.*

For Tesco, Asda, Safeway and Sainsbury's have proclaimed that the rule of law is to be suspended on the seventh day of the week. Not all of it, of course, but just the bit of law *that inconveniences them. It is* not legal to open for business on Sundays, but they will go ahead anyway. The flaw in their argument is apparent. You cannot suspend just one bit of the law, as the attorney general, *Sir Patrick Mayhew,* pointed out in the House of Commons yesterday. Sunday trading is unlawful. The present legislation is certainly absurd and in some respects ambiguous; and the government has failed to take a grip. Yet this principle is not divisible. Poll tax must be paid, although it is in disrepute.

The rule of law is one of the *foundations of a free market.* It is an essential ingredient of capitalist society. Without it there could be no enforcement of contracts, no protection from thieves. When trade union leaders break laws, *industrialists express outrage.*

Tearing off bits of any law that gets in the way erodes the authority of the entire system. The stores should exercise patience: open Sunday trading will be allowed in due course. *Meanwhile it is not.*

Britain is at odds with the EC on working conditions legislation, says **David Goodhart**

Social row could sour the summit

Disputes over working conditions and maternity leave have not in the past been the stuff of constitutional debate between European Community leaders. But between now and the Maastricht summit, conflict over such social concerns threatens to bring a delicate compromise on economic and political union crashing to earth.

At issue is a proposal to extend the scope of *EC social legislation.* Most member states want to deal with social directives – setting minimum standards in such areas as holidays, the working week, rights for part-time workers and anything the Community deems covered by the vague phrase "working conditions" – on the basis of qualified majority voting. Under current practice such decisions have to be unanimously agreed, but if the change is allowed any individual state opposing directives might be outvoted unless it has two allies to back it. In practice that means Britain.

The UK government views with alarm the intrusion of EC legislation into social policy. British officials have warned that the change to qualified majority voting is worth "dying in the last ditch" to resist. They complain that the EC prefers to make law rather than ensure it is implemented; that by seeking a role in social policy it is abusing its own principle of subsidiarity (the idea that intervention should take place at the lowest appropriate level). Above all, they assert Britain's right to be different.

Nowhere more than in the field of industrial relations is post-Thatcher Britain so out of step with the EC's Christian Democrat/Social Democrat mainstream. Most countries have extensive legal intervention in working life, a key role for the "social partners" (unions and employers) in collective bargaining, and worker participation in running companies.

The UK's industrial relations system is governed by the lightest of legal regimes. The UK has no legislation on minimum pay, maximum hours or minimum holidays. Portugal, to name an example at the other end of the Community's income league, has legislation on all of them. The UK, with its decentralised collective bargaining, its deregulated labour market and its weak unions, has more in common with the US.

British companies may not have fully woken up to what is at stake in the EC's social debate. Mr Dick Eberlie, head of the Confederation of British Industry's EC office, warns that British employers have not yet real*ised "that the EC is trying to impose* an alternative *system* on us". He says the UK should not be forced to adopt a more rigid continental regime.

However, Britain has a powerful combination of opponents in the European Commission's social and employment affairs directorate, DG5; in Mr Jacques Delors, the Commission President; in most of the European Parliament; and in most of Europe's trades unions and labour ministries.

The most significant aspect of "social Europe" so far is the legislation on equal pay, most of which stems from the mid-1970s. This period, in which all proposals were subject to unanimous agreement, also saw legis*lation easing labour mobility* and the first industrial relations laws.

The second phase, from the mid-1980s, came with the arrival of Mr Delors and the introduction of the qualified majority voting procedures of the Single European Act of 1986. For the first time that allowed qualified majority voting on a social matter – health and safety at work.

Mr Delors, keen to show that the single market was not only for businessmen, promoted the Social Charter, a non-binding declaration of fundamental rights for workers that was signed by all member states except Britain in 1989. And from that charter flowed a legislative Action Programme.

Apart from a raft of health and safety measures on such matters as exposure to carcinogens, however, the programme will have achieved little by its deadline of the end of next year. This is partly thanks to the British veto. As a result DG5 has tried recently to circumvent the UK's opposition by smuggling through several broader measures under the health and safety clause – for example preventing sub-contractors bringing in workers from low-pay countries such as Portugal without respecting local pay rates.

Other countries, apart from Britain, agree that DG5 has been stretching EC law. Nevertheless, they now appear ready to allow the rules to be changed to allow all matters covering "working conditions" to be subject to qualified majority voting. That would be a watershed for "social Europe".

So will legislation on working conditions – such as proposed directives on part-time workers and the working week – have the dire effect on UK employment and economic growth that the British government predicts?

On the working time directive the are many proposals, such as mi mum holiday entitlement, that wou change very little in the UK, but ot ers such as the maximum 48-ho *week* which could have a radic effect. Britain has more part-ti workers than most EC countries a the proposal to give them all pro-ra rights with full-time workers cou cost jobs. On working time, howev the government's estimate that t directive will cost *employers* £5bn year is probably an exaggeration.

The working time directive is al more flexible than the governme admits. A clause insisting that Su day be the day of rest (introduced Germany) has been watered dow and exemptions from the 48-ho week are expected for sectors such transport. Many details in this a other directives can be ignored if t employers and unions agree on alternative via collective bargaini That principle, along with the rig of the "social partners" to help dr EC social legislation, is enshrined an agreement between UNICE, t European employers body, and t European Trades Union Congre which has been included in the Ma tricht treaty. The trouble for Brita is that this implies empowering t unions via Brussels – Marga Thatcher's nightmare of "socialism the back Delors".

There is another fundamental pr ciple at stake: does Brussels have a right to set employment rules at a The Treaty of Rome endorses "soc cohesion" and "upward harmoni tion" of working conditions. But op nents of "social Europe" argue th DG5 should be improving labo mobility – through portable "Eu pensions", for example, and otherw *allowing free competition between d* ferent labour market systems.

The UK government goes a bit fu ther and accepts harmonised heal and safety standards across the E perhaps because UK standards are model for EC proposals. The emplo ers *organisation UNICE* goes furth still, opposing what it calls "unfai competition over social standards.

So will the supporters of soci Europe carry the day? In opposing t change to qualified majority voti Britain is relying on the percepti that "in many countries it is mo important to be seen to believe social Europe than to do anythi about it", as one DG5 official puts

Over the next few days the UK w be seeking to combat the threat of EC social role by raising another sp tre: that the EC might becon involved in setting wage and soc security levels. Officially the Comm sion denies any such intention and any case, with the EC facing so mu unfinished business, no new soc legislation is likely until the la 1990s. But by then, almost irresp tive of what is agreed at Maastric the EC will certainly have more inf ence over UK social and employm affairs than it does today.

Greek socialist flying workers' flag

Vasso Papandreou: Dutch draft of the treaty is 'the bottom line'

If Britain wins concessions on social policy at Maastricht, it will be no thanks to Ms Vasso Papan*dreou, the Greek socialist who is EC* social affairs commissioner, writes Ian Hargreaves.

Although she knows Britain well, having lectured in economics there in the 1970s, Ms Papandreou is quick with rhetorical amazement at the UK *position.*

"We don't have any other government or big party in the Community that is against social legislation," she says. The most recent Dutch draft of the treaty is "the bottom line".

"We have a moral obligation to set minimum standards in order not to allow market forces or wild capitalism to function at the expense of workers. If we want to have the kind of societies they have in south-east Asia, then we should say that openly. *But I don't think that's acceptable at* the European level."

She brushes aside arguments that common standards on working conditions and working time will erode the competitive advantage of weaker member states in the south. "I don't *face great objections* from them. I think they know better than me what's in their interests, and they aren't against these proposals." Ms Papandreou thinks her opponents place too much weight on labour costs in these arguments, and not enough on questions of investment, management and training.

She also insists that the framework proposed by the Commission is capable of adaptation within the EC's varied industrial relations cultures. "Britain says it doesn't want a lot of legislation, but that it doesn't want social consensus either. I don't understand how society is going to function in that case . . . the conflict model doesn't work. Britain's experience shows that." It is not difficult to imagine the sparks that fly when the steely logic of Mr Michael Howard, the UK employment secretary, meets this social democratic grindstone.

If you accuse Ms Papandreou of espousing economic rigidities of a sort which can only weaken the Community's muscle in the long run, she replies: "On the contrary, the Community is going towards less rigid forms. Liberalism is the domina ideology . . . but competition and l eralism shouldn't lead us only individual rights and *to forget abo* collective rights. Because then might end up with a very competiti but very segregated economy wi only two-thirds of workers include

She is ready to defend Europe workers' rights to top-quality wo ing conditions against its partne and thinks the Community shou push this line in trade talks with t US and Japan, perhaps demandi "social duties" from industries a countries that fail to meet EC soc standards. "In Japan, they wo much longer hours than in Euro It's they who have to reduce, not who have to increase."

With a pinch of salt

And Lo! There came news from the east that Lot's wife was in danger of toppling over. What's more, she might have to be blown up to make sure she doesn't smite any Israelites - or passing tourists.

For thousands of years, an outcrop of rock perched on a hill close to the (presumed) biblical site of Sodom in the *arid wastelands south of the* Dead Sea has stood as eerie testimony to the story in Genesis of Lot's wife.

Lot, son of Haran and nephew of Abraham, lived in the depraved city of Sodom. Just before God was to devastate it and Gomorrah for their sinful ways, angels warned Lot, his wife and his two daughters to flee. But Lot's wife – Genesis never gives her name – ignored the angels' warning not to look back and was turned into a pillar of salt.

There she has stood ever since – at least until now. Israel's Nature Reserves Authority warned yesterday that the largely hollow salt formation Mrs Lot sits upon is unstable and crumbling. She is also cracking. "There's fear now that this heavy rock, which weighs thousands of tonnes, may fall and cause a disaster," says the authority's Shmuel Shapira.

Geologists are to examine the site and if the danger is deemed too great, it may be dynamite for Lot's wife, the authority warns.

OBSERVER

Capital break

Capital Radio is far and away Britain's biggest commercial radio station and its most suc*cessful. So the departure of* the two men associated with its phenomenal success was bound to make investors uneasy. Earlier this year managing director Nigel Walmsley went off to run Carlton's TV business and now Sir Richard Attenborough, who founded the station 18 years ago, has announced his retirement.

While Sir Richard, who was *in America filming yesterday,* is better known for his artistic talents than his business skills, his replacement – Reed International's Ian Irvine – is very much a businessman. A former Touche Ross partner, he has been involved with a *string* of media ventures over the years, ranging from Express Newspapers and the Reuters float, to BSB.

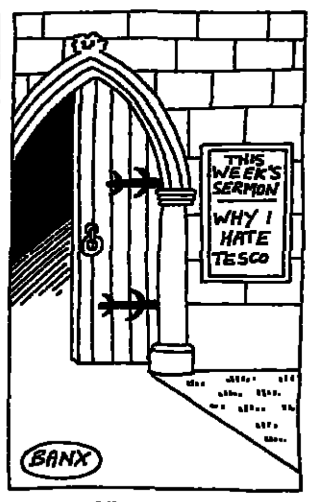
He says that there will be no revolutionary changes at Capital. However, others are not so sure. Irvine will be a much more hands-on chairman than his predecessor and with advertising man Richard Eyre due to step aboard as chief executive in a few weeks' time, Capital is the obvious candidate to bid for a national licence and give the BBC a run for its money for the first time.

Smiling anew

Back in the 1980s Glasgow revived its spirits and improved its image with the memorable message Glasgow's Miles Better. The ads featured Mr Happy and were plastered on the sides of London buses; the slogan entered the language.

But yesterday Glasgow's Miles Better was officially retired. The city council believes it has got the message *across, so, with the Glasgow* Development Agency, it launched the less catchy Glasgow's Alive, with the "alive" in splodgy lettering wrapped in the stars of the European flag. Some £200,000 is being *spent on advertising it at home* and abroad, and businesses and hotels are being asked to put it on their literature.

Glasgow *is* better than it was, though it seems sad to ditch such a memorable slogan. After its garden festival



(1988) and European city of culture accolade (1990), Glasgow no longer has big events in the pipeline, and the competition is getting tougher.

Edinburgh is pulling its socks up and creating an opera house at last. Even Liverpool, whose plight makes Glaswegians feel smug, could rise again if it sorts out its political problems. Maybe Glasgow's Miles Better will eventually have to be brought out of retirement.

Twenty across

How does Poland's President Lech Walesa relax in times of constitutional crisis? It *seems that he is a* secret crossword buff, and has been competing for some time for the daily prize of around £2.50 awarded by the Sztandar Mlodych newspaper.

However, his cover has just been blown because his latest entry, neatly typed on presidential notepaper, is one of the winners. It was dated November 15, the day on which the President learnt from the coalition of five centre right parties that they wanted him to pick Jan Olszewski, a 61-year-old lawyer as his candidate. Walesa is resisting the request.

The clue to solving his own political crossword is three words and 20 letters – Jan Krzysztof Bielecki – the name of the outgoing prime minister.

Unmoved

There are so few big banks in Britain that one would have thought that The Office of The *Banking Ombudsman might* have been able to schedule its annual press conference so that it didn't clash with today's annual results presentation of the Royal Bank of Scotland.

Since the Royal Bank of Scotland has been publishing its annual results on the last Thursday of November for many a year, Banking Ombudsman Laurence Shurman should have done a bit more homework, or at least agreed to change the time of day. His deputy assures Observer that it is just one of those unfortunate oversights that "we will try and avoid in future" but it looks suspiciously like a quango trying to prove that it won't be pushed around by the people it is supposed to be monitoring.

Conundrum 1

Observer is starting an irregular series to which readers are invited to respond; no prizes except intellectual satisfaction. The first conundrum is: given that commercial sponsorship of BBC television *programmes is not permitted,* what on earth does Tim O'Neil, the BBC's head of sponsorship, do all day?

Holiday gossip

"How was your holiday", said one cannibal to another.

"Great. Lots of sun, sea, sand and sex," came the reply.

"So how come you're missing a leg?"

"It was self-catering."

ECONOMIC VIEWPOINT

Behind the world currency strains

By Samuel Brittan

Two different developments have come together in the world's currency markets. There has been the disappointing recovery in the US, and in much lower key, the postponement of recovery prospects in the UK. Secondly, there is the imminence of the Maastricht summit. This has been enough to switch the subjective chances of a re-alignment of the core ERM currencies in the coming months from negligible to extremely tiny. The change is still sufficient to cause nervousness among holders of currencies such as the franc and the pound, which enjoy an interest rate differential of 1 per cent or less over the D-Mark.

There would be nothing unprecedented or even alarming in a W-shaped recession. The world had this in the early 1980s when industrial production among the five main industrial countries fell both in 1980 and in 1982. In 1980, the US and UK led the world downwards. In 1982, the UK had a recovery ahead of the field. This time an "L" looks more likely than a "W". In other words, the industrial world as a whole may coast along the bottom for at least part of 1992, while the mainstream economic forecasters ponder where their models went wrong.

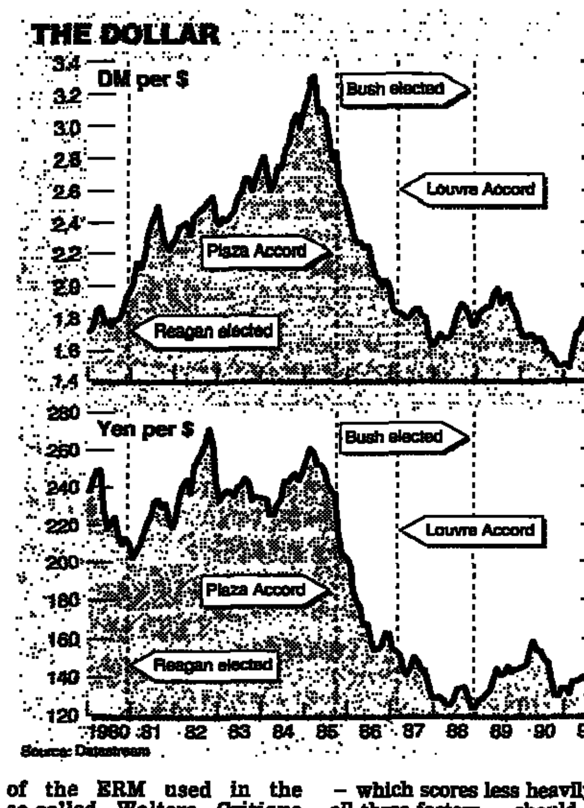
It would not be unprecedented to have a W-shaped recession, but an 'L' shape is more likely

But the more fundamental question is, as always, an "ought" one, which I cannot get people to look up from their crystal balls to discuss. In countries such as the US, Japan and the UK, is the reluctance of highly-indebted consumers to spend more harmful behaviour to be offset by official policy? Or is it a healthy reaction to past excess and part of the Schumpeterian process of "creative destruction"? My provisional answer is: healthy, so long as it does not spiral downwards into depression – which governments and central banks do have the means to prevent.

The deterioration in US domestic prospects has caused a reassessment of the significance of low US interest rates. Until recently, the 4½ percentage point gap between the US and German short-term rates has been treated by the market as partly a temporary phenomenon. Now, however, the timing of any increase in rates to narrow the gap has been pushed further ahead – the presidential election is not due until next November. In the meanwhile, the next Fed move is much more likely to be down than up.

Faced with this change in outlook, the US currency has had to "overshoot" downwards to a level at which its prospective *recovery* is sufficient to justify the international investor for his loss of interest.

Over a longer perspective, what is remarkable is not the recent decline in the US currency, but the remarkable medium-term stability it has enjoyed at, or a little below, the ranges agreed at the Louvre Accord of early 1987. The dollar is still higher against the D-Mark than it was early this year, and the massive devaluation that so many east coast economists called for to correct the balance of payments deficit has not been necessary. The deficit has looked after itself.



Source: Datastream

Worries about Maastricht explain why the shift out of the dollar has been into the D-Mark rather than sterling or the other ERM currencies. The best rationalisation of the worries is that if a failure at Maastricht deals a blow to the prospects of Emu it will reflect on the ERM.

This does not mean that member countries will lightly abandon their obligations or throw away their hard-won anti-inflationary credibility by re-alignment. There has just been some extremely slight shift in the odds, if only because part of the political support for the ERM has come from the hope that it would lead to a monetary union in which states other than Germany would have more say.

The present is a situation in which it is sensible for European central banks to make use of the margins built in to the ERM, which should not be abolished or narrowed, until members are prepared to lock their currencies into a system of permanently fixed exchange rates.

Under the schematic version of the ERM used in the so-called Walters Critique there is no flexibility, and it would be worth moving out of a currency when there is even a very small chance of a downward re-alignment. But with a bilateral band of fluctuation for sterling from DM2.778 to DM3.132, the speculator who moved out of sterling could lose very large sums if, as is overwhelmingly likely, there is no re-alignment and sterling recovers within the band.

France, which is in the narrower band, is not quite so well placed. Even so, movements within a range from FFr3.43 to FFr3.279 to the D-Mark can inflict quite heavy damage. The narrower band is justified by the greater strength of the French commitment to an eventual single currency, by the country's successful record in avoiding re-alignment and by an inflation rate genuinely below the German one. The UK – which scores less heavily on all three factors – should, and will, stick for the time being to the 6 per cent margin (at which I originally suggested the country should join the ERM, when the arrangement started in 1979, following the Italian example).

The effect of Maastricht on sterling is complex. Not only does it share in the extremely slight doubt about the future of the ERM. But the divisions within the Conservative party to which it has given rise have made foreign exchange markets take the possibility of a Labour government or a hung parliament more seriously.

The effect was summed up by Theodor Schonebeck of the Deutsche Bank, when he said in London this week that while he recognised that devaluation was not part of Labour's strategy, its probability was nevertheless higher than under the Tories. The belief is probably untrue, as there could now be more devaluationists among the Tory right than the Labour left: the main difference is that the Tory right calls it "floating the pound", and neutral observers "sinking sterling".

Mr Schonebeck also observed that real interest rates of 6 per cent and the ERM commitment imply a "muted recovery in output during the run-up to the general election". But he obviously thinks this slow recovery a price worth paying for the "speedier correction of inflation expectations than would have been the case had Britain not joined the ERM". What Tory strategists need to do is to abandon their 1960s-style concentration on economic movements in the next couple of quarters which they can neither control nor predict, and find some way of bringing into the argument the underlying improvements enumerated, not very loudly, in the new National Institute Review. That is hardly a Conservative house organ; yet it estimates a sea change for the better in Britain's share of world trade, and a convergence around low German rates of inflation by the mid-1990s.

Meanwhile, events have weakened the belief that sterling's effective floor is dragged up by the Spanish peseta, which also enjoys a 6 per cent margin. It was always likely that if sterling came under downward pressure it would drag the peseta with it, and so it has proved.

In fact, the most likely result of a failure to agree at Maastricht would be another summit. For that is how the Community works. The Dutch have already said that they would be prepared to chair another meeting between Christmas and the New Year, even if ministers and officials then have less time to spare with their families. If that does not happen or does not work, the Portuguese will chair a meeting in the New Year.

There is, however, the wider moral that the ERM and Emu cannot be completely separated. Systems of fixed but variable exchange rates have a limited shelf-life. They either break down into dirty floating or harden into fixed rates which can only be changed in a crisis of wartime or depression proportions.

There is no need to rehearse the arguments why Europe would be better off if it is known to be operating a permanently fixed exchange rate system from which a single currency could eventually develop, whether or not there is agreement on hobbyhorses such as political power for the European parliament.

BOOK REVIEW

A losing streak that will be hard to break

CHAIN REACTION: THE IMPACT OF RACE, RIGHTS AND TAXES ON AMERICAN POLITICS
By Thomas Edsall and Mary Edsall
Norton, $22.95

The Democratic party has rarely had it so good. President George Bush is sliding in the polls; the US economy remains stagnant; and the Reverend Jesse Jackson has taken himself out of the running for the presidential nomination. Can it really be that the Democrats have a shot at winning next year's election?

Here is the necessary antidote to the false optimism which has seized the Democrats in recent weeks. Thomas Edsall, a veteran Washington Post political reporter, and his wife, Mary, have written a brutally frank exposition of the weaknesses of the modern Democratic party. Their account of the party's decline over the past 25 years helps to explain why the Republicans have won five out of the last six presidential elections, and why the Democrats face an uphill battle next year.

The failure of the Democratic party is the failure of Democratic liberalism. In the 1930s and 1940s, under President Franklin Roosevelt, Democratic liberalism became the dominant political force. The party favoured shifting power, wealth and the protection of the state towards the working classes; it proclaimed, with conviction, that all Americans, black and white, were entitled to a New Deal.

The Roosevelt coalition fractured in the 1960s, split asunder by the Vietnam war and the civil rights movement. The beginning of the end came in 1968 at the Democratic Convention in Chicago, a violent affair which saw the emergence of the welfare rights movement, student disorders, the sexual revolution, radical feminism – each of which combined to alienate the white, blue-collar worker who for a generation had proved the life and soul of the party.

From then on it was downhill. The Democrats became the party of the victim, the underdog, the disenfranchised – in short, the party of the loser. At the same time, control of the party machine gradually moved out of the hands of the city's bosses and into the hands of an upper-middle-class, college-educated elite, who took it upon themselves to reform the Democratic party.

As the Edsalls note: "The Democratic reform elite served as the perfect foil for conservatives seeking to portray the Democratic party as a new establishment intent on imposing an alien – elitist and liberal – racial and cultural agenda on the mass of American voters."

Mr George Wallace, the segregationist Democratic governor of Alabama, put it even more succinctly in his 1968 presidential election campaign: "You know who the biggest bigots in the world are, they're the ones who call others bigots."

What is striking is how a generation of Republican political operatives has been able to tar successive Democratic presidential candidates, from Mr George McGovern to Mr Michael Dukakis, with this same elitist brush. In 1988, Mr Bush buried his opponent with charges that he was a "tax-and-spend" liberal, soft on crime and even softer on communism and the need for a strong national defence.

The Edsalls argue that the Democrats have got on the wrong side of three pivotal issues – race, rights, and taxes. Race in their view is the most important.

They offer powerful evidence to support two further contentions: that the gap between blacks and whites in the US is becoming greater in terms of education and income; and that this gap continues to polarise the American electorate to the benefit of the Republican party.

As the authors point out, civil rights legislation helped to foster the development of a black middle class; but it also may have helped to spawn the growth of a black underclass. The percentage of American families with one parent rose from 12.9 per cent in 1970 to 21.5 per cent in 1980, and 27.3 per cent in 1988; but the percentage of black families with one parent had risen by 1988 to 59 per cent.

Many of these one-parent families are on welfare; and as Mr David Duke, the ex Nazi-turned maverick Republican, showed in the recent race for governor of Louisiana, it is easy enough to tap white resentment on this issue. Mr Duke may have been trounced, but as Dan Quayle, the vice-president, said this week: the messenger not the message is the problem.

Yet the Edsalls' preoccupation with race may have led them to underestimate other political shifts in the 1980s which may end up hurting the Republicans.

The most important is the growth in income inequality among whites. The authors present interesting statistical material about how the rich grew richer under President Ronald Reagan, but they do not share the view that a Democrat candidate running on a populist platform of tax "fairness" could appeal to the electorate.

Elsewhere, the Edsalls may not have given sufficient weight to the impact of the Bush presidency which, through its soft-boiled country-club conservatism, has eroded the hard edges of the Nixon-Reagan coalition. Mr Bush has, in the past three years, agreed to soften his "no new taxes" and anti-jobs' quota rhetoric to reach agreement with the Democratic majority in Congress. He has also consciously sought to appeal to black voters, to the point of selecting a black judge to replace a black judge for the US Supreme Court (the ultimate job quota).

Mr Bush may well repeat the racially loaded messages of 1988 during next year's campaign. The chances are much greater if a north-east liberal such as Governor Mario Cuomo of New York enters the race. If Mr Cuomo does seek the Democratic nomination, he should take this book to bed for a good, long read.

Lionel Barber

LETTERS

Solution to poll tax defaulters

From Mr Ian Lamont.

Sir, You report that the Audit Commission has urged a strict line on poll tax defaulters (November 26). In certain areas such as Strathclyde, the level of non-payment is so high that even law-abiding citizens are now questioning why they should pay. The non-payers, in the knowledge that there is insufficient space for them all to be imprisoned, are not to be intimidated by threats of fines, which will also go unpaid.

Surely it is time to invoke the principle of "no representation without taxation". While the threat of disenfranchisement may not compel non-payers to pay, it would, if enacted, probably result in the removal of high spending local authorities as they would not find favour with those who have earned their right to vote by paying their poll tax.

Ian Lamont,
Fairlight Cottage,
Hickmans Lane,
Lindfield, Sussex

Price of data

From Mr Norman Swindells.

Sir, Joe Rogaly may be better than I am at reading the real meaning behind the proposals of the EC ("Wiring up Europe", November 26) but also he may not understand the nature of the problem.

There is no unified communications system within the EC, for any method of transmission, and until there is we shall suffer by comparison with our competitors. As an example of what this leads to, the unit usage charge for data transmission by the packet-switched data network of BT is £1.80/hr within the UK and £4.80/hr "international usage UK-Europe". All the other national telecommunications utilities in Europe discriminate against cross-border data traffic in a similar manner and some are worse than BT in this respect.

Clearly, BT regards itself as being outside Europe and the customer pays the price; to his disadvantage compared to the US where there is a single national pricing structure for each data network.

Norman Swindells,
Touchstone International,
14 Mere Farm Road,
Birkenhead,
Merseyside L43 9TT

Disturbing aspects of Sunday trading moves

From Mr Albert Edwards.

Sir, Whether or not one is in favour of Sunday trading, the current trend towards wholesale breaking of the criminal law is disturbing.

The will of parliament in 1986 was that the 1950 legislation should stand. The claims from these companies that they are entitled to break the law because they are satisfying consumer preferences is irrelevant.

Justice Hoffmann in the High Court (Stoke and Norwich Councils v B & Q, July 1990) said that the objective of the law "is in my view clear enough from the terms of the Act itself, namely to ensure as far as possible, shopkeepers and shop assistants did not have to work on Sunday". The law is there to protect the worker, not the shopper!

In the same judgment, Justice Hoffmann pointed out that B & Q "owes a great deal of its success to systematic breaches of the law". These profits are effectively being stolen from law-abiding shops such as Marks and Spencer. If the current recessionary economic conditions are justification for Tesco *et al* also breaking the law, why should not those individuals also down on their luck shop-lift, fare-dodge and mug etc. Choosing which laws we shall or shall not obey is the first step to anarchy.

Albert Edwards,
67 Erlanger Road,
London SE14 5TQ

National Power's profits indicate need for prices investigation

From Mr Andrew Cook.

Sir, With National Power's announcement of a staggering increase in profits of 18.1 per cent ("National Power reaches £202m", November 27), it is high time to focus on the fixing of pool prices by the electricity generators. This is nothing short of a scandal. They should be investigated immediately by the Monopolies Commission.

Most big electricity consumers were forced to accept pool prices in order to avoid a 15 per cent increase in their electricity costs which was a consequence of taking the alternative annual contracts offered by the area boards. These pool prices are fixed every half hour on a supply and demand basis.

Traditionally, demand peaks in the late afternoon and, therefore, one expects the pool prices to be more expensive at this time. However, there is a limit to this and it is far below the levels recently experienced.

For example, for much of the day a pool price somewhere between 2p and 3p per unit tends to prevail, but on a number of days recently the late afternoon price has been as high as 11p. This has been on days when the weather has been mild and no extraordinary conditions have existed.

All indications are that the generators have deliberately withdrawn capacity during these periods in order to force prices up – in short, the market is being wilfully manipulated.

The regulatory authority, OFFER, has shown itself to be completely spineless and responds to complaints from consumers such as me in a most negative fashion. Yet I am purchasing £6m-worth a year of electricity, it is 8 per cent of my manufacturing costs and I find that these are being forced up well above 1990-91 levels as a result of this pricing practice.

The consequences of having to absorb these cost increases are potentially disastrous – it is already hard enough being competitive in these recessionary times, with overseas producers pushing to increase their market share.

The arcane and secretive way in which pool pricing is established, with the customer not getting to know the actual price he has paid until four weeks after he has consumed the electricity, also makes it impossible to plan and control costs.

Sir Gordon Borrie should waste no time in ordering the appropriate investigation.

Andrew Cook,
chairman,
William Cook,
Parkway Avenue,
Sheffield

Productivity gap target

From Mr Brian Warnes.

Sir Anthony Harris ("The risk to sterling's hidden strength", November 25) paints a gloomy picture of UK industry needing to improve productivity 1 per cent to 2 per cent faster than German industry for five to 10 years (ie, in addition to whatever improvement German industry is making in the meantime) to achieve "convergence" with Europe.

The financial systems in German and Japanese companies are designed by engineers, not accountants, and they use them to control companies in a different way, a way that almost invariably results in dramatic "productivity" achievements.

UK companies adopting similar methods find themselves achieving equally dramatic productivity successes – and within months, not the "years" feared by Mr Harris. It is a gap that need not take an undue time to close.

Brian Warnes,
managing director,
Business Dynamics,
13 Blackheath Village,
London SE3 9LA

Competition

From Mr J J Virden.

Sir, We read much about the benefits and operation of competition in markets, but little about the prices to be paid for competition. There are two or more, all paid by the customer or whoever wants competition.

There has to be enough apparent profit in the business to draw in other players, and someone ultimately has to pay a price higher than marginal to keep the second last player in the business as others depart.

It is fantasy to expect competition to provide endless output at or near marginal cost. So, when BT and British Gas are showing the beacon for competition, regulation risks all by effectively directing other players to other pastures. Better to allow profit to attract wolves through a more open door.

Jonathan Virden,
Court Lodge,
Yalding,
Maidstone, Kent

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday November 28 1991

Japanese MPs protest at measure allowing servicemen to join UN operations abroad

Outburst over Japan peace troops plan

By **Stefan Wagstyl** in Tokyo

A BRAWL broke out among Japanese Diet (parliament) members yesterday when a controversial bill to allow Japanese servicemen to join United Nations peace-keeping operations was forced through a key Diet committee.

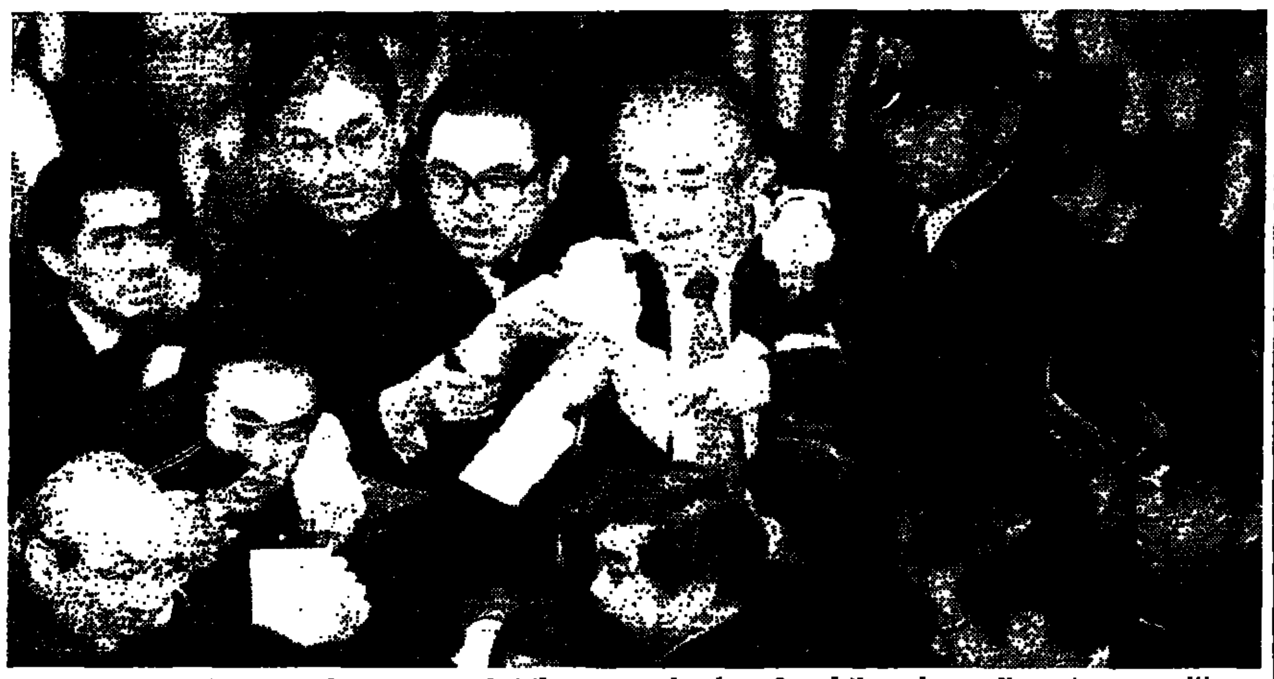
The bill, which will authorise the government to send troops to danger zones overseas for the first time since the Second World War, is expected to complete its parliamentary passage in the next few days, in spite of further protests from opposition parties.

Yesterday's outburst started after the ruling Liberal Democratic party (LDP) decided to cut short debate on the issue and to push the bill through the committee. Members of the opposition Social Democratic and Communist parties stormed the chairman's desk in an attempt to stop him calling a vote.

The government wants the bill to be enacted in time to allow Japan to join UN peace-keeping forces which may be sent next year to Cambodia.

The measure has provoked intense argument because many Japanese believe that it might infringe the commitment to peace enshrined in Japan's post-war constitution and possibly prompt a resurgence of militarism. China and other neighbouring countries have expressed concern.

A similar bill, introduced last year during the Gulf crisis, was dropped following opposition from MPs. However, supporters of the measure have since gained ground, arguing that Japan must play a bigger role in world affairs and that serving in the UN peace-keeping force would not amount to military action and so would not infringe the constitution.



LDP chairman Yoshiro Hayashi announces that the measure has been forced through a parliamentary committee

International criticism of Japan's cash-only contribution to the allied effort in the Gulf war also helped to convince ordinary Japanese that it was time to abandon the taboo on overseas missions by Japanese servicemen. There was little public protest when the government earlier this year despatched minesweepers to the region. Asian countries also reacted calmly.

Signs of growing public support for a greater Japanese involvement in the United Nations persuaded the government to try once more with the peace-keeping bill. Mr Toshiki Kaifu, the former prime minister, made it a priority but ran out of time before his term expired last month.

Under Mr Kiichi Miyazawa, the new prime minister, the government redoubled its efforts: the LDP rallied its own dissident members and won over the Komei (clean government) party by accepting strict conditions on participation in peace-keeping forces. Japanese troops will only serve on UN-organised missions and only in areas where the combatants have called a ceasefire and have agreed to accept a UN peace-keeping force.

Japanese servicemen will be permitted to use weapons only in self-defence and, if a ceasefire agreement fails, will be required to withdraw as soon as possible.

Mr Koichi Kato, the chief cabinet secretary, said last night that the opposition parties' actions yesterday had been shameful. The Japan Social Democratic party (formerly the Japan Socialist party) replied that the committee vote had been unconstitutional and regrettable.

US and UK call on Libya to give up agents

By **Ivo Dawnay** in London and **Lara Marlowe** in Beirut

THE US and Britain yesterday increased the pressure on Libya to surrender the two intelligence agents accused of the 1988 bombing of a Pan Am jumbo jet over Lockerbie in Scotland in which 270 people died. They also demanded compensation payments.

A joint statement, with a section signed by France, demanded that Tripoli must commit itself "definitively" to ceasing all terrorist actions and assistance to such groups.

"Libya must promptly, by concrete actions, prove its renunciation of terrorism," the statement said. British officials indicated that further measures, such as trade sanctions, had not been not ruled out. The US has also refused to rule out the use of force.

The latest action by the US and Britain follows the filing of criminal charges on November 14 against two agents said to have been behind the bombing.

France's support for the first section of the statement relates to the 1989 bombing of a French jetliner over north Africa, for which it issued warrants against six Libyan officials last month.

The statement insisted that Libya must now comply with a series of specific demands. In addition to the two wanted men, Britain and the US are demanding that Libya should supply further details of the terrorist attack, access to witnesses, documents and other remaining timers used to trigger bombs.

British officials would not be drawn on what specific action may be taken if the government of Colonel Muammar Gaddafi fails to respond to its demands. But the clear implication is that the US and the UK are already engaged in diplomatic moves aimed at seeking a concerted western response.

Mr Abu Zaid Omar Dourda, Libya's prime minister, disputed the British and US claims and called for an unbiased international investigation into the bombing.

Speaking in Beirut after visiting Egypt, Jordan and Syria, Mr Dourda said: "All of the Arab countries I visited announced their support for Libya."

White House backs down from forcing special sitting in December

Economic growth debate put off

By **Lionel Barber** in Washington

THE WHITE HOUSE and Congress yesterday backed away from plans to hold a special December session to debate an economic growth package.

Both sides held open the possibility of Congress returning before January 3, but the prospects appeared slim. The Democrat leadership seemed to favour finishing business before the Thanksgiving break today.

However, Congressman Dan Rostenkowski, chairman of the House ways and means committee, will hold hearings next month on tax relief and tax fairness.

Mr Nicholas Brady, Treasury secretary, Mr Richard Darman, budget director, and Mr Alan Greenspan, chairman of the Federal Reserve, will testify, shaping the tax debate for the election year ahead.

The idea of a special session took on a new lease of life after President George Bush caved in to pressure from conservatives. He called last Tuesday for an immediate vote on a loosely-worded House Republican growth package, including a capital gains tax cut.

This reversed earlier White House strategy which was to play a waiting game. Under this plan, Mr Bush would seize the domestic initiative in his State of the Union address to Congress early next year. It would focus on a mixture of repackaged growth incentives, including a capital gains tax cut, and, possibly, an investment tax credit.

But poor opinion polls, turmoil in the White House over the position of Mr John Sununu, chief of staff, and continuing weakness in the economy tempted Mr Bush to embrace the House Republican package for tactical reasons.

The measure has no chance of being passed but an early vote would have allowed Republicans disgruntled with his wavering leadership to return to their districts and argue that they had tried to pass a growth package.

The president could also have used the Christmas break to blame Congress for inaction on the economy.

The president's call enraged the Democratic leadership who thought they had a tacit agreement with the White House on a two-month adjournment. Within hours, they were threatening to hold a post-Thanksgiving session starting on December 9 or 10 to focus on Democrat proposals for tax relief to the middle class.

These proposals – as well as the equally ill-defined House Republican measures – amount to little more than political posturing. They have little chance of passing Congress unless there is a grand compromise between the parties to re-open the budget deficit reduction agreement.

The posturing reflects the mean atmosphere in Washington. It also obscures measures such as the $151bn transportation bill which will pump money into the economy and create jobs in construction and other hard-pressed industries.

The House passed the highway and mass-transit bill on Tuesday. Mr Bush, who objected earlier to the high price-tag, will sign the bill which shifts to states and cities many decisions which have been federal responsibility for the past 30 years.

Elsewhere, the crime bill proved as divisive as ever, with Republicans and Democrats each trying to outbid each other on the death penalty.

A House bill included the death penalty for 53 new federal crimes, including murder of federal egg inspectors; but the White House, with one eye on next year's election campaign, is threatening a veto on the grounds that it does not go far enough.

UN prepares for role in Yugoslavia

By **Michael Littlejohns**, UN Correspondent in New York

THE UN Security Council last night unanimously adopted a resolution paving the way for the possible establishment of an international peacekeeping operation in Yugoslavia.

However, the council endorsed the position taken by Mr Cyrus Vance, the chief UN negotiator, that the deployment of a UN force could not be envisaged unless there was full compliance with a ceasefire accepted by Serbian and Croatian leaders in Geneva last Saturday after talks under his auspices.

In a resolution developed in lengthy private consultations which reconciled views of the EC members and non-aligned states led by India and Romania, the council strongly urged the warring Yugoslav factions to comply fully with that accord.

The new resolution expresses the Security Council's hope that as a result of further peace making efforts Mr Javier Pérez de Cuéllar, the secretary-general, "can present early recommendations ... including ... the possible establishment of a United Nations peacekeeping operation in Yugoslavia."

The council further pledged "to examine and take appropriate action without delay upon the recommendations of the secretary-general mentioned above, including in particular any recommendation for the possible establishment of a United Nations peacekeeping operation in Yugoslavia".

Mr Vance is expected to leave for Belgrade on Saturday. Now that the Belgrade government has itself requested a peacekeeping operation and that the council "act promptly and take the necessary decision" it appears that if only the ceasefire can be made to hold the UN should be able to move expeditiously.

Kohl holds out hope

Continued from Page 1

these subjects would become Community subjects after a delay of five or six years".

On the European parliament, he said latest indications suggested agreement on only two modest steps towards greater powers. "I would say, rather two steps than no steps at all. Let us make a first step which is possible from 1994, and on this basis at a later stage hand over further rights for the legislative period after 1999."

The German-French defence initiative in favour of a more independent European policy was in the same category, he said.

Although Italy has played a low-key role in the run-up to Maastricht, Mr Major's meeting with Mr Andreotti in Rome carried a special significance.

The talks with Mr Andreotti followed a meeting on Tuesday in Brussels of the six EC Christian Democrat leaders mapping out a common strategy for Maastricht. British officials yesterday indicated that the constructive and friendly tone of the Andreotti-Major talks should help to ensure that Britain was not again "ambushed" by a common Christian Democrat front as happened last year to Mrs Thatcher.

Mr Major said: "There is no doubt in my mind that the Christian Democrat leaders of the Community want an agreement at Maastricht that carries with it every member of the Community – they all understand that very well ... I will discuss with them what was said there (in Brussels) and what the implications of what was said there may be."

Khmer chief driven out

Continued from Page 1

In an interview earlier this year, Mr Khieu Samphan said the Khmer Rouge's programme was to "let bygones be bygones", but yesterday's violence makes it clear the Cambodian people have not forgotten.

Fears for the future of the Cambodian peace accord, signed in Paris last month, were voiced during yesterday's disturbances by Mr Hun Sen, prime minister in the caretaker administration originally installed by Vietnam, who called on the attacking crowd to "stop doing this, or the Khmer Rouge will go back to Bangkok and the peace settlement will be finished".

Mr Khieu Samphan is due to be one of two Khmer Rouge members of Cambodia's Supreme National Council (SNC), an umbrella organisation grouping the country's various factions, which is supposed to co-operate with the United Nations and prepare for elections in 1993.

Prince Norodom Sihanouk, the former monarch who heads the SNC following his own return from exile, yesterday asked the Thai government to arrange the next SNC meeting in Thailand so that the Khmer Rouge could participate. The council had been due to meet in Phnom Penh.

While few Cambodians seem likely to regret the humiliation of Mr Khieu Samphan, there are fears that the isolation of the Khmer Rouge may encourage it to continue its struggle for power on the battlefield.

A number of leading figures in Cambodia, including Mr Hun Sen, had links with the former Khmer Rouge regime.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Berlin	C	5	41	Caracas	C	28	82	Faro	C	18	64	Islamabad	F	21	70
Algiers	S	22	72	Biarritz	S	16	61	Casablanca	F	13	55	Florence	F	7	45	Istanbul	Dr	9	48
Amsterdam	C	9	48	Bombay	S	31	88	Chicago		-	-	Frankfurt	C	1	34	Jakarta	R	31	88
Athens	C	14	57	Bordeaux	S	14	57	Cologne	F	7	45	Geneva	Fg	2	36	Jersey	Fg	9	48
Bahrain	S	23	73	Boulogne	S	9	48	Copenhagen	C	5	41	Gibraltar	F	17	63	Johannesburg	S	27	81
Bangkok	F	33	91	Brussels	S	9	48	Corfu	S	16	61	Glasgow	F	10	50	Lima	C	22	72
Barcelona	F	15	59	Budapest	C	9	48	Dallas	C	14	57	Helsinki	C	5	41	Lisbon	S	14	57
Bonn	C	21	70	Buenos Aires	C	21	70	Dublin	F	10	50	Hong Kong	S	20	68	London	C	11	52
Belfast	F	7	45	Cairo	S	21	70	Dubrovnik		-	-	Innsbruck	S	5	41	Los Angeles	S	11	52
Belgrade	C	10	50	Cape Town	F	23	73	Edinburgh	F	9	48	Inverness	F	8	46	Luxembourg	S	6	43

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	R	15	59	Milan	Fg	7	45	Nicosia	C	19	66	Salzburg	F	1	34	Tenerife	C	18	64
Madrid	S	12	54	Montreal	S	-7	19	Oporto	S	18	64	San Francisco	Dr	12	54	Tokyo	F	12	54
Majorca	S	18	64	Moscow	Dr	0	32	Oslo	F	8	46	Seoul	S	10	50	Toronto	C	0	32
Malaga	S	20	68	Munich	S	1	34	Paris	S	9	48	Singapore	T	25	77	Tunis	S	19	66
Malta	F	18	64	Nairobi	C	23	73	Peking	S	2	36	Stockholm	C	6	43	Valencia	F	15	59
Manchester	C	9	48	Naples	S	16	61	Prague	C	3	37	Strasbourg	Fg	0	32	Venice	S	12	54
Manila	C	32	90	Nassau	C	25	77	Reykjavik	C	3	37	Sydney	C	20	68	Vienna	C	7	45
Melbourne	F	17	63	New Delhi	S	25	77	Rhodes	S	17	63	Taipei	F	27	81	Warsaw	C	5	41
Mexico City		-	-	New York	S	0	32	Rio de Janeiro	R	39	102	Tangier	S	16	61	Washington	S	-2	28
Miami	C	20	68	Nice	S	16	61	Rome	S	13	55	Tel Aviv	F	22	72	Zurich	Fg	1	34

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

A shake-up for Perrier

Yesterday's suspension of Exor, owner of tasty morsels like the Chateau Margaux vineyards and a 34 per cent stake in Source Perrier, raises the prospect of a new shake-up in the European food and drinks industry. The odds on this would certainly shorten if the Paris market turns out to have been right last night in assuming that the Agnelli family is behind a bid.

The Agnellis' international holding company, Ifint, is already known to have a 20 per cent stake in Exor. It may by now have crossed the one-third threshold which under French law triggers at least a partial takeover. Understandably, most of the attention after yesterday's announcement was concentrated on Perrier, which leapt more than 3 per cent on an otherwise dull day. The Agnellis have powerful friends in the French business establishment and are particularly close to BSN. The idea of some tie-up between Perrier and BSN, a proven manager of international brands including Perrier's main competitor Badoit, has obvious appeal, though it would surely arouse the scrutiny of competition authorities in Brussels and elsewhere. There has also been speculation in the brewing industry that BSN may be ready to sell its Kronenbourg beer interests.

If the bid for Exor does turn out a partial one, investors may need to keep their wits about them. A fresh example of French treatment of minority shareholders came this week with the partial bid by Pinault for the Au Printemps stores group. Under local takeover law, companies normally have to launch a full bid if they acquire more than 50 per cent of the target. Pinault, however, has artificially dabbled with voting rights, conjuring up a 40 per cent stake where a controlling interest existed before. It looks like an interesting challenge for the Paris stock exchange authorities.

Maxwell

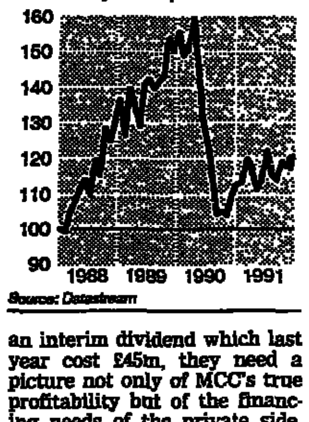
The abruptness of Maxwell Communication's postponement of its interim figures is so reminiscent of the founder as to be almost an act of homage. Certainly, yesterday's 18 per cent drop in the MCC share price suggests that the market is bracing itself for the worst. The problem, however, may be more mundane. Effective control of MCC now lies with the bankers to the Maxwell private interests. Before deciding whether MCC should pay out an interim dividend which last year cost £45m, they need a picture not only of MCC's true profitability but of the financing needs of the private side. Very probably, they are not yet clear on either.

Yesterday's announcement demonstrates that, in pushing up the MCC price by more than 50 per cent in the previous two days, the speculators were playing a dangerous game. Admirers of Mr Robert Maxwell, like those of Mr George Walker, will always have faith in their hero's legacy. The former might reflect that whereas MCC still has a market value of £291m, the much less complicated Brent Walker is now worth just £8.8m.

FT-SE Index: 2,447.5 (-24.0)

Kwik Save

Share price relative to the J Sainsbury share price



Source: Datastream

Kwik Save

Kwik Save's full-year figures showed that its discount food retailing formula is still working nicely. Not only did earnings per share grow by 22 per cent last year, but 8 per cent volume growth in the second half suggests the performance might be repeatable in the current year. Kwik Save also generates enough cash to fund most of its expansion and still has nil gearing.

But yesterday's 4.5 per cent rise in the shares was much like the hesitant move in Argyll's shares the previous day. As competition intensifies among the big food retailers, the temptation to chase sales growth by discounting is visibly increasing. Without that growth, many stores will generate insufficient return on investment, with unpleasant consequences for the whole industry. The question is how such discounting will affect Kwik Save and how it should respond,given its already thin margins. Arguably, it is vulnerable to competition as much from the likes of Asda, with its much larger produ range, as from rival discoun ers like Aldi. Kwik Save wi doubtless carry on its busines in the hope that others wi eventually choke on thei higher costs. Even so, its fo tunes are bound up with th industry as a whole.

Unigate

Unigate's figures confirm th impression of a shrinking busi ness in search of direction After the slight fall in underly ing interim profits, the grou will be lucky in the full year t match the £83m before tax i made in 1986. Meanwhile, dela in the planned disposal of th car hire business and of th disastrous chicken venture i justified on grounds of a stron balance sheet. But tha strength was achieved by sel ing half of the milk business. is the more awkward that th remaining half was the stro gest profit contributor in thes figures.

Meanwhile, Unigate is le with a rag-bag of other bus nesses, from US restaurants commodity cheese manufa ture, which have little appa ent logic. The milk busines though attractive enough, declining in real terms. Th one desirable asset, chille dairy products, is too small i relation to the whole. The ma agement is doubtless capab of cutting the business back a more efficient base. It has y to demonstrate where resum growth is to come from.

Competition policy

British Steel and Thysse could be forgiven for believi in a Brussels conspiracy. On days after sanctioning FFr2bn French governme investment in Air France, t European Commission gave i blessing yesterday to the pu chase by the state-owned ba Credit Lyonnais of a 10 p cent stake in the French ste maker, Usinor Sacilor.

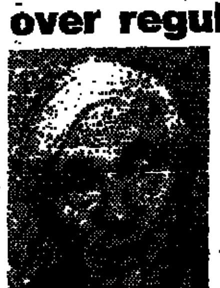
Both deals have arous unease among European co petitors. But the idea that t decisions to clear them refle a softening of the Brusse stance on state aid – a sop Paris after its rebuff over Havilland perhaps – looks f fetched. The key test whether a private invest would behave in the same w as governments has alwa been subjective and subject a certain amount of horse tr ing. What is clear at this sta though, is that the Fren have proved inventive in str turing their deals in a way th encourages EC approval.

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday November 28 1991

INSIDE

Water group appeals over regulation



North West Water, the recently-privatised UK water company, issued a strongly-worded appeal for separation between politics and the regulatory regime as it unveiled half-year results which it said were affected by the UK recession. It has been forced to reduce next year's price rise. Mr Dennis Grove (left), chairman, said: "I am fully justifying further cost increases and believe the reduction for next year is recession related and should be one-off." Page 20

Holding steady

Unigate, the UK food and transport group which in June announced a restructuring of its business, yesterday reported flat profits for the six months to September 30. Page 20

Poles apart

Each Tuesday a crush of curious onlookers at Warsaw's stock exchange peers across makeshift barriers at young brokers performing rituals at computer screens in what was once the Communist Party's headquarters. Back Page
SE for Bulgaria by Christmas, Page 19

Better times for NZ farmers

The New Zealand Dairy Board hopes a reasonable lift in prices after the worst season for dairy farmers for decades will avert widespread defections from the industry. Page 30

Packer inquiry

An inquiry into the bid for Australia's Fairfax newspaper group by a consortium including Mr Kerry Packer, the entrepreneur, has the power to block or unwind the takeover. Page 18

Aluminium for Chile

In spite of a world glut of aluminium and prices in the doldrums, Noranda Aluminium, a subsidiary of the Canadian mining and forestry group, has announced plans to build a $1.5bn aluminium smelter and hydro-electric plant in the far south of Chile. Page 30

Chileans seek bid cash

Enersis, a private holding company of Chilean electricity companies, hopes to raise $60m from US institutional investors next month to bid in the forthcoming privatisation of Argentina's biggest utility, Segba. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko	773	−	22
Continental AG	214	−	6.2
Heidelb Zem	940	−	30
Holzmann Ph	1098	−	27
Kali & Salz	147	−	6.5
Thyssen	194.3	−	6
NEW YORK ($)			
Rises			
Adv Polymer	9½	+	1
Falls			
Compaq	24⅛	−	⅜
Digital Equip	63⅝	−	¾
Hewlett-Packard	49	−	⅝
IBM	94¾	−	3⅛
Reebok	27⅛	−	1¼
PARIS (FFr)			
Rises			
Eurocom	589	+	19
Gaumont (Soc N)	632	+	17
Perrier	1274	+	39
Falls			
Bouygues	545	−	16
GTM-Entrepose	351.1	−	12.9
Pinault	251.5	−	16
TOKYO (Yen)			
Rises			
Godo Shusei	1870	+	170
Matsuzakaya	1770	+	150
Terumo	1090	+	107
Toyo Sanso	1420	+	200
Falls			
Chugoku Marine	900	−	100
Nippon Carbon	2350	−	230

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Kode Elec	107	+	7
Hambros	270	+	12
Kwik Save	568	+	25
Midland & Scot	46	+	5
Monarch Res	128	+	15
Stanhope	42	+	6
Tate & Lyle	364	+	7
Falls			
BI Leisure	65	−	7
SW Hldgs	144	−	12
PB Inds	146	−	8
Jockeys	88	−	9
Fairline Boats	450	−	39
Graham Wood	24	−	13
Maxwell Comm	45	−	10
NSM	12½	−	2½
NatWest Bank	299	−	15
Pelon	140	−	11
Ratners	50	−	4
Royal Ins	274	−	13
Sedgwick	208	−	9
SmKline Bch A	778	−	15
Vickers	160	−	7

RWE in $890m deal with Consol

By Christopher Parkes in Bonn and **Karen Zagor** in New York

RWE, the Essen-based conglomerate, is to pay $890m for a 50 per cent stake in Consolidation Coal (Consol) of the US.

The deal brings together Germany's largest energy concern and the second-biggest hard-coal mining company in the US, and marks another high point in RWE's aggressive international expansion strategy.

It was struck after eight months of negotiations between Rheinbraun, a wholly-owned RWE subsidiary, and Du Pont, Consol's parent.

Rheinbraun concentrates almost entirely on mining lignite or soft coal and, with sales of DM1.5bn ($940m), is one of the smallest divisions in the DM50bn RWE group. Consol last year produced 54m tonnes of hard coal.

However, the companies are similar in that most of their output is used for domestic power generation. Last year Consol exported only 16 per cent of its production, with Italy as its biggest market in Europe.

RWE, based in the politically-sensitive coalfields of the Ruhr, where the mining industry is scheduled to shed some 30,000-40,000 jobs over the next few years, stressed it had no plans to change Consol's trading patterns.

Mr Friedhelm Gieske, RWE chairman, said the venture made sense "against the backdrop of worldwide growth in energy demand and in light of the fact that hard coal keeps on growing in importance as a primary energy source".

Mr Gieske, who took charge almost four years ago, has been credited with transforming the group from an introspective energy specialist to an internationally-minded conglomerate with a taste for US businesses.

Oil and chemicals account for 40 per cent of group sales, against 27 per cent 10 years ago, following the 1988 acquisition of Texaco's German business and this year's $1.2bn deal to buy Vista Chemical of Houston.

RWE is Germany's biggest electricity supplier.

The Consol deal, which takes effect at the year end, will be partly financed by a DM200m increase in Rheinbraun's capital stock to DM1bn.

Du Pont, in the throes of a $1bn cost-cutting programme, expects to record a one-time gain of 20 cents a share from the sale.

Although it has had a large presence in the coal industry since 1981, when it acquired Consolidation Coal as part of its $7.8bn takeover of Conoco oil, coal has never been one of its major business.

In the third quarter ended September 30, coal brought in earnings of $51m on sales of $482m.

IBM looks for something to pull out of the hat

By Alan Cane in London

WHAT, if anything, can Mr John Akers, IBM's beleaguered chairman, have left up his sleeve? The reorganisation announced this week is the third in his seven years in office; more corporate change than IBM has seen since moving in the 1950s from tabulating machines to computers.

Since 1986, the company's share price has remained stubbornly in the doldrums, its profitability sliding inexorably downwards and its share of world data processing slipping from almost 40 per cent to around half that value.

Developments in the global computer industry have left the world's largest computer manufacturer exposed as overweight and cumbersome.

All computer manufacturers are suffering, but IBM's difficulties are accentuated by its size – some $69bn in revenues, 350,000 employees and more than 10,000 different products.

Ten years ago IBM introduced its personal computer, unwittingly opening the floodgates to a tide of technological and commercial developments which are the root causes of today's crisis.

Sales of mainframe computers, the bulwark of IBM's revenues and profits, are stagnant. A series of niche markets – notebook computers, workstations, Unix servers, parallel supercomputers – has emerged, each with its own market leader. IBM leads in none of these fields.

It is heavily overstaffed compared with its more fleet-footed competitors. Some 20,000 jobs are expected to go next year, but industry analysts believe larger numbers will be necessary to bring the company's overheads in line with its sales expectations.

IBM traditionally has a policy of no compulsory lay-offs, which hinders its ability to cut staff.

Yesterday's reorganisation continues the trend of the past few years to devolve power to individual business units, creating a federation of "Baby Blues" (IBM is known colloquially as "Big Blue" because of the colour of its mainframe computers).

But how much further can IBM go in restructuring? Describing the 1988 reorganisation as "a fundamental change in the way we do business", Mr Akers said: "If this works, it will make our employees more entrepreneurial, more accountable and more independent."

If it does not work this time, Mr Akers must be wondering what he has left to pull out of the hat.

The computer giant's shake-up puts the onus on individuals, writes Louise Kehoe

Key to success in managers' hands

The giant has stirred. International Business Machines, the world's largest computer company, aims to transform itself into a corporate federation of independent business units, each held accountable for its own financial performance and charged to become the best in its class.

Mr John Akers, IBM chairman, this week unveiled plans to banish corporate bureaucracy, improve efficiency and increase autonomy among the company's many business sectors. The restructuring plan, he said, "will lead to a fundamental redefinition of how IBM does business".

With 1990 revenues of $69bn, IBM ranks as one of the largest manufacturing companies in the world. The restructuring may be one of the most complex not forced by merger or regulatory demands.

Change will be gradual. It will take "years" for IBM to liberate its business units and dismantle the intricate matrix management structure on which its business empire has been built.

The greatest impact will be among the company's 350,000 employees, who all face uncertainty about how their jobs will be affected.

IBM's reorganisation will also have an impact on the world computer industry. Instead of the monolithic Big Blue, IBM will become the name of a group of companies. Managers of these units will, for the first time, have their compensation tied directly to financial performance.

Each company will be measured against rigorous financial criteria and failure to meet these goals will directly influence IBM's corporate investment decisions.

Mr Akers said that an individual unit's performance would enable IBM to decide whether to retain sole ownership, sell a stake in the operation or completely divest it. "This will give IBM maximum flexibility to decide on the level of investment that it wishes to make in each segment of the business."

IBM's corporate executives will divorce themselves from operating issues to focus on managing the company's investment strategy. By eliminating layers of management, IBM hopes to speed decision-making, shorten product development cycles and concentrate each product group's energies on becoming the "lowest cost manufacturer of state-of-the-art information systems". The hope is that product managers, freed of internal politics and bureaucracy, will be able to focus energy on beating the competition.

The success of IBM's plans will depend heavily upon the ability of individual managers to make the cultural adjustment from the protected corporate womb to the harsh realities of a profit-driven environment.

Moreover, many questions remain about IBM's plan for greater autonomy.

Business unit managers, given responsibility for financial performance, will inevitably need to have greater sway over marketing and sales. However, these activities will remain the primary responsibility of IBM's geographically organised marketing and service companies, such as IBM Japan or IBM UK.

The product groups' relationships with these sales organisations may become akin to those between manufacturers and independent sellers.

Mr Akers offers the example of IBM Australia, which has focused its sales efforts on IBM's workstation products to the detriment of its mid-range computer line. In this instance, Mr Akers suggests, IBM's mid-range computer group might seek an alternative channel of distribution.

Still unclear, however, is how IBM's product groups will relate to internal suppliers such as IBM's disc-drive manufacturing operations or its huge semiconductor factories. In theory, IBM product groups will no longer be required to buy components internally but will have the right to choose the lowest-cost supplier.

There are also areas of potential conflict among newly autonomous IBM business units. Already, for example, high-performance workstations compete to some extent with mid-range minicomputer products. Similarly, adjacent geographic sales and marketing units which liaise on issues such as pricing and distribution could run into conflict if they do not continue to collaborate.

All of these issues will be worked out "over time", IBM says. Within the next few weeks, however, IBM plans to disclose specific reorganisation plans for some of its business units.

"Because each business is different, the degrees of independence will range across a spectrum," Mr Akers said. He explained that IBM's mainframe computer systems, for example, would require continuing matrix management to ensure co-ordination among related product groups. In contrast, IBM's mid-range AS/400 product group would have greater autonomy.

IBM's marketing and service companies will in future focus on segments of the computer market, with each region determining for itself the best market opportunities. Individual IBM sales organisations will also have the right to combine IBM products and services with offerings from other companies, to provide customers with "total solutions tailored to their needs".

Although many of the changes are continuations of trends of the past few years, IBM's corporate managers now appear ready to take a leap forward by relinquishing control over operational aspects of IBM's business.

IBM shares fall on Wall Street

IBM's share price fell sharply on Wall Street yesterday, losing more than $3 to trade at $94¾, down from a Tuesday close of $97⅞.

Several market analysts cut their ratings on the stock citing concerns about inefficiencies that might be created during the corporate reorganisation.

Although most analysts said that the steps IBM was taking would eventually make the computer group more nimble and competitive, they predicted that the reorganisation would be disruptive and could have a negative effect on earnings in the short term.

MCC delays interim results

By Bronwen Maddox and **Robert Peston** in London

MAXWELL Communication Corporation, one of two public companies built up by the late Mr Robert Maxwell, said yesterday "it would be appropriate in current circumstances" to delay reporting its interim results, due this morning.

A banker involved in restructuring the Maxwell companies' debt said yesterday: "You should not necessarily conclude that there is a ghastly black hole. The value of MCC will determine whether the Maxwell private company debt can be restructured. So the MCC figures must be absolutely right."

MCC has more than £1bn ($1.8bn) debt, compared with around £850m in the Maxwell family's private companies. Since Mr Maxwell's death, bankers have been urgently restructuring the private company debt. Some of the private debt is secured on MCC shares, which have recently plunged in value.

MCC said it would make a further announcement in two weeks. The shares yesterday fell 10p to 45p on the announcement.

Analysts said yesterday the MCC dividend policy could be one factor causing the delay. MCC's dividends are a main source of cash for the private Maxwell companies, which control 68 per cent of MCC, and earlier this week needed a £5m emergency loan to stave off a liquidity crisis. However, a high dividend payout could be an unwanted burden on the finances of MCC.

Analysts said another possible reason for the delay was that MCC had indicated it would present the interims on a more straightforward basis than past figures, which had large contributions from one-off profits and losses.

Mr Tim Rothwell, media analyst at stockbrokers BZW, said: "From the way Kevin and Ian Maxwell have been behaving they want to provide a clear contrast to their father's style. That probably means taking their time to present the results in an orderly way."

Following the September AGM analysts had sketched in pre-tax profit estimates of £65m-£70m.

In the 1990 interims MCC declared turnover of £510m, operating profit of £130.4m and a net interest charge of £40.3m, leading to pre-tax profits of £90.1m. Earnings per share were 10p, covering the dividend of 7p.

However, since Mr Maxwell's death, brokers have been reluctant to forecast the results.

Lex, Page 14

Philip Morris takes $1bn charge

By Martin Dickson in New York

PHILIP MORRIS, the US food, drink and tobacco group, yesterday announced it would be taking a $1bn non-cash charge for an accounting change and a $275m fourth-quarter charge for restructuring its worldwide food operations.

However, Mr Michael Miles, chairman, said the group was continuing to perform well, particularly in international markets, and he estimated that growth in earnings per share in 1991 would be more than 20 per cent, excluding the charges. Mr Miles said he expected a good year in 1992.

The accounting charge is to cover the cost of complying with the Financial Accounting Standards Board's rule 106, which requires all US companies to adopt a new method of accounting for the non-pension benefits of retirees by January 1993.

Philip Morris's charge is relatively modest compared with the charge faced by many labour intensive businesses with ageing workforces, such as car manufacturers.

The charge, to be applied retroactively to the company's reported results since last January, will mean a $1bn after-tax charge for the year, or $1.09 a share.

The company said two credit rating agencies, Moody's and Standard & Poor's, had confirmed that the charge would not affect the company's ratings.

Philip Morris said the fourth-quarter charge at its food group concerned the further consolidation of manufacturing and distribution facilities, quitting unprofitable business lines, and other related overhead cost reductions.

The company said the charge – totalling $275m, or 30 cents a share after tax – would mean a $750m pre-tax saving in five years.

Philip Morris also announced a programme which will allow it to spend up to $2bn on buying back some of its 922m outstanding shares. This replaces a scheme which expired this month under which it repurchased 13.3m shares at a cost of $751m.

The group's shares dropped $½ in morning trading in New York to stand at $69¾ at lunchtime.

INTERNATIONAL COMPANIES AND FINANCE

Bombardier set to control De Havilland Canada

By Robert Gibbens in Montreal

BOMBARDIER, the aerospace and railway equipment group, is expected to emerge shortly with majority control of Boeing's loss-making De Havilland Canada (DHC), the Toronto commuter aircraft manufacturer put up for sale early this year by the US company.

France's Aerospatiale and Alenia of Italy, which make the larger ATR series of commuter planes, have finally withdrawn from the bidding. Their joint bid was turned down by the European Commission for competitive reasons. The commission vetoed a full takeover, arguing it would create a near monopoly in the EC market for small turbo-prop commuter aircraft.

DHC's production level is being reduced by half because uncertainties over ownership have affected orders.

Bombardier is negotiating over DHC with the federal and Ontario governments. The remaining issues centre on DHC's losses, the financing of nearly US$1bn of future development costs for new and larger aircraft, export financing and Ontario government participation.

The Canadian Autoworkers' Union, representing DHC's workforce, is supporting the Bombardier takeover.

Bombardier moved into aerospace in the 1980s with the acquisition of Canadair in Montreal, later adding Short Brothers of Belfast.

This doubled its volume and trebled its backlog of orders which now stand at more than US$5bn. It owns two European heavy transit equipment makers and an Austrian light engine and tram builder, and holds the North American rights to the French TGV train.

Delivery delays caused a 7 per cent dip in Bombardier's third-quarter sales to C$719m, but earnings held steady at C$21.5m, or 29 cents a share, up C$100,000 from a year earlier.

However, nine-month earnings were C$70.9m, or 97 cents a share, up 6 per cent from C$66.8m, or 95 cents, a year earlier. Sales were slightly higher at C$2.04bn. Bombardier plans to split its stock two-for-one from January 31. The A shares trade around C$24 to C$25 and the B shares about C$27 to C$28.

Dow Chemical unit expands

By Karen Zagor in New York

MARION Merrell Dow, the US pharmaceutical company that is 70 per cent owned by Dow Chemical, yesterday said it would acquire Henning Berlin, a closely-held German pharmaceutical company. Terms of the deal were not disclosed.

Henning Berlin, which develops, makes and markets a line of products to treat thyroid disorders, expects to have sales of about $70m for 1991.

The company's other products include therapies to treat osteoporosis, cardiovascular disorders and inflammatory bowel diseases.

Marion Merrell Dow recorded 1990 sales of $2.5bn. The Kansas City, Missouri-based company already has a presence in Germany through Merrell Dow Pharma. The German subsidiary is expected to have sales of $55m this year.

Mr Fred Lyons, president of Marion Merrell Dow, said the Henning Berlin acquisition fitted the company's expansion strategy. The acquisition will allow the US drug company to expand its base in Germany and to widen the markets for Henning Berlin's products outside Germany.

● Advanced Polymer Systems of the US and Rhône-Poulenc Rorer have restructured their joint venture in dermatology, Reuter reports.

Under the deal, Rhône-Poulenc will, among other things, provide Advanced Polymer with a $2m cash investment and forgive a $1.5m o[illegible]ation, the companies said.

In exchange, Rhône-Poulenc Rorer will receive $6.7m worth of Advanced Polymer shares at market value.

Under the deal, Advanced Polymer will also regain certain marketing rights to products in the prescription dermatology field and will acquire a manufacturing facility being constructed by the joint venture.

Rhône-Poulenc Rorer will continue to fund the development of two dermatology products – methotrexate, for psoriasis, and 5-fluorouracil, for treating pre-cancerous actinic keratoses.

Also, Rhône-Poulenc Rorer will share co-exclusive marketing rights with Advanced Polymer to methotrexate and 5-fluorouracil, with the companies paying each other reciprocal royalties on net sales.

Rembrandt advance checked by associates

By Philip Gawith in Johannesburg

REMBRANDT Group, the South African tobacco-based conglomerate, advanced amid recessionary conditions in the six months to September 30, although its results were curbed by the weak performance of associate companies.

Pre-tax profits rose by 23.5 per cent to R544m ($196m). The share of profits from associated companies, however, dropped by 17 per cent to R120m. As a result, pre-tax profit from normal business operations was only 10.7 per cent higher at R434m.

The strong performance before taking account of associates was largely a result of unlisted tobacco interests which normally contribute about 40 per cent of earnings.

Analysts said the good performance probably also reflected a strong contribution from unlisted Total SA, the distributor of petrol and oil products, in which Rembrandt has a 34.4 per cent stake.

Profits from associates suffered from lower contributions by Rembrandt's mining investments which are feeling the impact of weak commodity markets. HLH, the food and forestry company, in which Rembrandt has a 33.6 per cent stake, also performed poorly.

Rembrandt sold the bulk of its stake in Standard Bank Investment Corporation for R452.1m cash, recording an extraordinary capital gain of R242.6m.

The dividend was lifted by 20 per cent to 12.60 cents a share on the back of a 24.9 per cent rise to 61.26 cents in earnings – mostly cash – excluding retained income from associate companies.

Varity fails to return to profitability by mid-year

By Bernard Simon in Toronto

VARITY, the international farm, automotive and industrial equipment group, has failed to meet its prediction of a return to profitability by mid-1991 and has warned that it will probably suffer a loss for the year as a whole.

The company, whose products include Massey-Ferguson Perkins diesel engines, incurred a loss of $17.8m, or 91 cents a share, in the three months to October 31, compared with profit of $22.5m, or 66 cents a share, a year earlier.

Revenues slumped by 19 per cent to $758.6m, largely due to a steep fall in sales of its European-based diesel engine and farm and industrial machinery businesses. Engine sales fell to $133m from $210m. The company ascribed the setback to depressed farm machinery markets, the sluggish UK economy and a four-week strike at Perkins.

Half the third-quarter revenues were generated by Kelsey-Hayes, the Michigan-based automotive parts maker which Varity bought in late 1989 as part of efforts to lower its dependence on farm machinery. K-H posted operating income of $31m, down from $42m a year earlier but unchanged from the previous three months.

In the light of unexpected losses, Varity said it may cut staff levels further, and is considering disposing of some non-core businesses. A special charge to cover these measures is likely in the fourth quarter. Despite pledges to reduce borrowings, long-term debt has grown to $900m from $798m on January 31.

Mr Victor Rice, chairman, said he was disappointed by the poor market for farm machinery, but saw no sign of an early improvement. He said demand for diesel engines will probably also remain sluggish, especially in the UK, Perkins' largest market.

Upjohn supports doctors facing Halcion actions

UPJOHN, the US pharmaceutical company, has introduced a programme to defend and indemnify US physicians named in lawsuits involving damages allegedly caused by Halcion, Upjohn's popular sleeping pill, writes Karen Zagor in New York.

The company said it would support physicians who had prescribed Halcion in accordance with the package insert.

"We've taken this step to re-emphasise our support for Halcion and the physicians who prescribe it," said Mr Theodore Cooper, Upjohn's chairman and chief executive.

Halcion, the world's most widely prescribed sleeping medication, has been at the centre of a storm for several months. The drug was recently suspended from marketing in the UK, Norway and Finland amid concern over Halcion's side effects.

Telco climbs strongly despite weak market

By R.C. Murthy in Bombay

TATA Engineering and Locomotive Company (Telco), India's largest producer of trucks, advanced strongly in the first half to September, despite a recession in the vehicle market.

Sales rose 28 per cent to Rs13.04bn from Rs10.16bn for the corresponding period last year. Operating profits also advanced by 28 per cent to Rs1.36bn ($48.8m) from Rs1.06bn.

Demand for commercial vehicles in India slowed after a rise in petroleum products prices. Telco, which had planned to enter the car market with diesel-driven vehicles, delayed the launch of its hatchback estate car until early next year.

After providing for depreciation of Rs300m, against Rs257.4m, and for tax of Rs455.5m, compared with Rs269.3m, net profits emerged at Rs603.8m, up 13.6 per cent from Rs531.5m. The government increased corporate taxes forcing Telco to make a higher provision.

The company hopes to do better in the second half. It plans to focus on exports following the devaluation of the rupee in July.

● Pakistan International Airlines (PIA), the national carrier 90 per cent owned by the government, fell further into loss in the year to June, Reuter reports from Karachi.

The net loss came to Rs334m compared with Rs182m a year earlier, on sales of Rs18.1bn up from Rs16.41bn.

It will pay no dividend to the government but will make a 12.5 per cent payout to owners of 10 per cent of the shares sold to the public last year.

Konica falls to Y5.56bn on currency exposure

KONICA, the Japanese camer and film manufacturer, yeste day reported that currenc fluctuations, along wit increased advertising an depreciation charges, led to 32.7 per cent fall in pre-ta profit to Y5.56bn ($43m) fo the first half to the end o October, writes Rober Thomson in Tokyo.

Sales for the period rose 1 per cent to Y187.25bn, with modest 4.7 per cent rise in film sales to Y70.9bn, a 10.1 pe cent increase in office equip ment sales, and a 9.2 per cen fall in sales of cameras. How ever, sales of disposable cam eras rose 30 per cent.

The company presumes tha the slowing of economi growth in Japan and the con tinuing weakness of the inte national economy will depres sales in the second half. Fo the full year, Konica is for casting sales of Y390bn, u from Y369bn, and a sligh increase in pre-tax profit fro Y14.36bn to Y14.5bn.

● Nippon Life Insurance of Japan will require seven yea to turn in a profit at Ne England General Life Insu ance of the US which it plan to acquire, Reuter reports fro Tokyo.

"We plan to start [US unde writing] business next Jan ary, but it will take seve years until the business is the black," Mr Jyosei Ito president said.

● Mitsubishi Corp, the Jap nese trading company, post a 31 per cent fall in consol dated pre-tax profits Y16.95bn for the first half September from Y24.48bn year earlier, due to high costs and a rise in interest ra burden, AP-DJ reports fro Tokyo. Net profits fell Y30.59bn from Y34.64bn.

Full bid for Au Printemps ruled out

By William Dawkins in Paris

PINAULT, the French timber-to-furniture retailing company, yesterday insisted that it would not enlarge its FFr5.28bn ($977.7m) bid for two-thirds of Au Printemps to include all the Parisian stores company's shares.

Mr François Pinault, group chairman, said he could not afford to make a full bid for Au Printemps, valued at FFr8bn, despite pressure from minority shareholders who want to be able to sell all their shares in the store group, rather than be scaled down in a 66 per cent offer. He planned asset sales of FFr4bn to FFr5bn over the next two years to curb Pinault's mounting debts.

The controversy is the latest test of two-year-old French takeover rules, under which any investor buying more than a third of a company's shares must bid for two-thirds of the group, and does not need to launch a full bid unless it buys more than half the shares.

Mr Pinault said that, because Pinault has only bought a 40.56 per cent stake in Au Printemps, it was only obliged to launch a two-thirds bid.

However, stockbrokers and minority investors have pointed out that the stake, bought from Maus-Nordmann, a Swiss holding group, until last week carried 56.4 per cent of the votes because some of the shares had automatically acquired double voting rights because of the length of time for which they had been held.

Maus-Nordmann made the double voting rights expire by selling the shares to one of its subsidiaries before selling them to Pinault. This ensured that the French group obtained less than 50 per cent of Au Printemps and without the obligation to launch a bid for all the outstanding shares.

Mr Pinault admitted to a French newspaper yesterday that "if they had held on to them (the shares), we would have passed the 50 per cent vote mark". Maus-Nordmann had insisted on the transaction as a condition of sale, he said. He therefore saw no reason under French law why he should make a full bid.

Stockbrokers have criticised Mr Pinault's plans to finance most of the takeover by selling Conforama, his furniture retailing subsidiary, to Au Printemps for at least FFr4.5bn. This would saddle the store group with debts, likely to affect its share price to the disadvantage of the remaining minority shareholders, said analysts. However, Mr Pinault argued that Au Printemps would benefit from owning Conforama.

The final arbiter will be the Conseil des Bourses de Valeurs, which was yesterday awaiting formal notification of the offer terms. It then has five days to make a ruling.

Christian Dior details terms of shares sale

CHRISTIAN Dior, the prestige French fashion house, yesterday published the terms under which it is to sell 1.92m shares worth FFr787m ($146m) to the public, writes William Dawkins in Paris.

The shares, representing 6.1 per cent of the group's equity, will be sold at FFr410. This is 14.6 times historic earnings and capitalises Christian Dior at FFr12.9bn. Of the total, 1.3m shares will be floated on the Paris cash market, while the remaining 620,000 will be placed internationally.

Dior is 55 per cent controlled by subsidiaries of Financière Agache, the main holding company of Mr Bernard Arnault, who also controls the LVMH champagne to luggage luxury goods business.

The shares for flotation are being sold by one Japanese and six French institutional investors.

Separately, Mr Arnault announced yesterday that Christian Dior would next year take on a new menswear designer, Mr Patrick Lavoix former designer of menswear at Lanvin for 14 years.

Dior would continue its *haute couture* business, despite the decline in the number of clients and rise in costs of mounting collections, said Mr Arnault. *Haute couture* was an affordable and necessary investment for a business of Christian Dior's size, he said.

AWA may have to lift Spanish bid

By Peter Bruce in Madrid

ARJO WIGGINS Appleton, the Franco-British paper group, is likely to be forced to raise its £23m ($41.17m) bid for Corporacion Commercial Kanguros, the Spanish paper trader, after running into resistance from the Kanguros board and its advisers.

A statement yesterday by Mr Aurelio Alcalde, Kanguros' chairman, said the board had been holding talks with AWA at the bidders' request, "which indicate they will consider a substantial improvement in their offer".

The AWA offer of Pta2,700 a share last month carried a premium of about 13 per cent on the value of the Kanguros stock, but the shares are now close to the offer price.

Nevertheless, an independent valuation of the Kanguros group after the initial bid said the group was worth at least £31m. The valuation was made for Kanguros' local advisers, BBV Interactivos, by the Axel Group, which said in its review that the shares were worth between Pta3,600 and Pta4,200.

Axel Group said its valuation was based on discounted cash flow, comparable companies, transactions in the same sector in the European Community, and debt capacity. "The AWA offer significantly undervalues Kanguros and cannot be recommended to shareholders," the report said. "In the next five years Kanguros is likely to double its sales and profits."

Kanguros is one of Spain's leading stationery producers and paper distributors, with expected sales of Pta10.3bn ($101m) this year. The company is 20 per cent owned by Gaspard, the large French distributor of office consumables.

Mr Alcalde said the AWA bid had already sparked interest in the company from competitors. They are likely to include Unipapel, the Spanish market leader in paper distribution.

Consumption of writing paper in Spain increased by 12 per cent last year.

Tate & Lyle profits advance 7.6%

By Guy de Jonquières, Consumer Industries Editor, in London

IMPROVED efficiency and lower financing charges helped Tate & Lyle, the world's largest sweeteners group, increase pre-tax profits by 7.6 per cent to £234.6m ($419.93m) from £218m in the year to September 28

Mr Neil Shaw, chairman, said continuing businesses showed underlying growth, and overall margins increased to 8.7 per cent against 8.1 per cent last year.

Spending of £134m on capital investment programmes and £186.3m on acquisitions and strategic holdings contributed to a £149.5m rise in net borrowings over the year to £553.7m, while gearing rose to 75 per cent from 69 per cent.

However, interest charges fell to £79.3m from £95.6m and interest cover rose to 5.7 times profit before interest, against 4.6 times a year ago. Mr Shaw said the strength of the company's cash flow would enable it to continue to deliver above-average growth.

Adverse exchange rate movements, depressed commodity trading activity and disposals lowered turnover to £3.26bn from £3.44bn.

These chiefly affected results in North America, where the Staley cereal sweeteners and starch business earned record profits before interest of $78.2m (£44m), compared with $172.3m. However, in sterling terms, profits were flat at £100m on turnover of £677.1m, down from £683.8m.

Cereal sweeteners also held up well in Europe, where CST's profits before interest rose to £51.1m against £46.8m on sales of £458.7m, up from £447.7m.

A final dividend of 7.5p was declared, bringing the total for the year to 11.2p against 10p.

Klöckner forecasts lower profits

By Christopher Parkes

KLOCKNER-Humboldt-Deutz, the German engineering group, is "walking the tightrope", says Mr Werner Mr Kirchgässer, the new chief executive.

The company would make a smaller profit this year than the DM30m ($19m) reported in 1990, and it would be 1994 before "we earn real money", Mr Kirchgässer told journalists.

Profits would have to increase to between DM100m and DM150m before KHD could pay a dividend, he said.

Meanwhile, group prospects were given a lift by the signing at the weekend of contracts worth DM600m to supply plant and equipment for a $1.4bn aluminium works being built at Bandar Abbas in Iran.

KHD Humboldt Wedag, of Cologne, won the DM500m order for anode manufacturing and handling. Gautschi Electro-Fours, a Swiss subsidiary, would provide foundry equipment.

Mr Kirchgässer said guarantees for half the total were being arranged with Germany's Hermes credit guarantee organisation and the balance would be covered by KHD's foreign subsidiaries.

The group, which last year made its first profits since 1986, expects sales for 1991 to rise 2.3 per cent to DM4.15bn, compared with the planned increase of 5 per cent.

Mr Kirchgässer said turnover fell 2 per cent in the first half, but after restructuring, "KHD is buzzing again."

However, key markets for the group's main products – engines and agricultural machinery – were hardly growing, he said.

KHD depends on foreign sales for more than half its turnover.

The engines divisions will make losses this year, and farm products should break even as better sales of combine harvesters cancel out the slump in tractors.

KHD depends on foreign sales for more than half its annual turnover.

Merger could follow link between Interpolis, AVCB

By Ronald van de Krol in Amsterdam

INTERPOLIS, the insurance subsidiary of Rabobank, the Dutch co-operative bank, said yesterday that it would establish a cross-shareholding with AVCB, a fast-growing Dutch mutual insurer, as the prelude to a possible full merger in two years' time.

A merger would produce a mutual insurance group with annual premium income in the Netherlands of Fl5.5bn ($3bn).

This would put it behind the market leader, Nationale-Nederlanden, which is part of the banking and insurance group Internationale Nederlanden, and ahead of Aegon and Amev.

However, these three other groups – which, unlike the prospective merger partners, are all bourse-listed – are substantially bigger than Interpolis-AVCB if premium income generated abroad is included.

As a first step, Interpolis and AVCB, which is the slightly bigger of the two, will exchange cross-stakes of 20 per cent and begin talks on a full merger. Rabobank's ultimate share of the merged insurance company is expected to be slightly less than 50 per cent.

The proposed transaction marks a change of strategy in Rabobank's pursuit of "All-Finanz", the combining of banking and insurance activities in a broad financial services group.

In 1990, it took full control of Interpolis in order to strengthen its insurance business. It is prepared to give up nearly half of the company in order to strike a far-reaching alliance with AVCB, which was itself the product of a merger in 1990.

Officials of Interpolis and AVCB said a merger would create a flexible group with three distinct distribution channels – direct writing, sales through Rabobank and business brought in by independent insurance agents.

The merger would also enable the group to expand overseas and to meet the increasing competition on the domestic Dutch market from foreign insurance companies.

Accor data passed to investors

By Andrew Hill in Brussels

ADDITIONAL information supplied by Accor, the French hotels group, about its bid for Wagons-Lits will be passed on to other disgruntled investors in the Franco-Belgian travel company as ammunition for their court cases against the bidder.

A Brussels court told Accor on Monday to answer 22 questions from institutional investors, which are unhappy with the offer price of BFr8,650. The investors said yesterday they were not satisfied with several of the answers, but had decided to pass the data on to two other groups of shareholders, who begin court cases on the substance of the bid in Brussels tomorrow.

In its reply to the questions, Accor says no decisions have yet been taken on the future of Wagons-Lits. However, the French company discloses that Société Générale de Belgique – the Belgian holding company which is a minority partner in the bid – has a risk-free investment in Wagons-Lits.

The two companies bought a joint stake of 27 per cent in the Franco-Belgian group in June 1990, but La Générale has retained an option to sell its share of that investment to Accor at the original price of BFr12,500-a-share at any time before June 1993. Accor will also reimburse La Générale for its expenses, if it exercises the put option.

The dissident shareholders claim that control of Wagons-Lits changed hands in June 1990, a charge which the French group denies.

Accor says in its response to the shareholders that la Générale wanted to be sure that it could sell out of Wagons-Lits without taking a loss if it eventually decided that business was not part of its strategic objectives.

BZW in Czech venture

By Ariane Genillard in Prague

BARCLAYS de Zoete Wedd (BZW), the investment banking offshoot of Barclays Bank, and John Govett, an independent investment group, is linking with Komercni Banka, one of Czechoslovakia's leading commercial banks, to advise it on forming an investment fund.

The fund, which is expected to be one of the largest in Czechoslovakia, will invest in companies being privatised under the country's economic reform programme, and will operate on a basis similar to a UK closed-end mutual trust.

Under the plan, an estimated Kcs300bn ($10bn) worth of equity will be distributed to Czechoslovak citizens in the form of vouchers early next year. These vouchers will become tradeable shares once the privatisation process is completed.

More equity is also planned in a second phase next year.

Bankers, company managers and individuals able to raise Kcs1m have already created privatisation investment funds to invest the vouchers.

NEWS IN BRIEF

■ MR SILVIO Berlusconi has been named a board member of AME Finanziaria, the holding company that controls publisher Arnoldo Mondadori Editore, Reuter reports from Milan.

AMEF, which plans to merge with Mondadori, is controlled by Mr Berlusconi's holding Fininvest.

■ THE NUMBER of bankruptcies in Finland rose 78 per cent to 4,387 from 2,466 between January and September compared with the same period in 1990, according to the Central Statistical Office, Reuter reports from Helsinki.

Question mark over Packer bid

Kevin Brown on the doubts raised by Tourang's offer for Fairfax

THE announcement of an inquiry into a bid for Australia's Fairfax newspaper group by a consortium including Mr Kerry Packer produced a collective sigh of relief among his countrymen concerned that he may interfere in the editorial policy of the papers.

The inquiry, launched by the Australian Broadcasting Tribunal, will consider the extent of Mr Packer's influence over Tourang, the consortium in which he is a 14.9 per cent partner with Mr Conrad Black, the Canadian proprietor of the UK Daily Telegraph group, and Hellman and Friedman, the US merchant bank.

If the tribunal decides that Mr Packer could exercise control of Fairfax, either directly or through associates, it has the power to block or unwind the takeover, or to order Mr Packer to dispose of his controlling interest in Australia's Channel Nine TV network.

Commentators seized on the inquiry as evidence that Tourang might fail to win the race for Fairfax because of the risk that it might be unable to complete the purchase.

That would increase the chances of the two rival consortia – Mr Tony O'Reilly's Australian Provincial Newspapers, and Australian Independent Newspapers, which represents a group of domestic financial institutions.

All three consortia have bid around A$1.3bn (US$1.03bn) for Fairfax – publisher of the Sydney Morning Herald, Australian Financial review and The Age in Melbourne – which was put into receivership by its banks last year.

Tourang claims the inquiry is irrelevant because its bid is structured so that it places the completion risk on the consortium rather than the receiver. Mr Packer has also rejected claims that he wields hidden influence over Tourang.

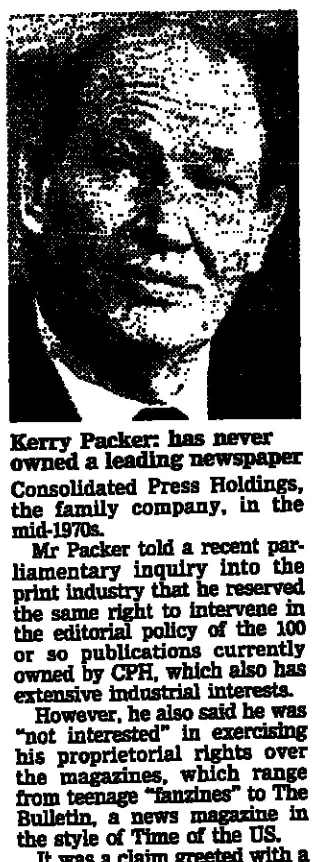
But the most interesting question raised by the response to Tourang's bid is why Mr Packer terrifies so many journalists and politicians, especially since he has never owned a leading newspaper.

Eyebrows were also raised in the UK last week following market rumours that he might bid for the 51 per cent of Mirror Group Newspapers (MGN) owned by the late Mr Robert Maxwell.

However, the concerns are most intense in Australia, where the Fairfax bid is being fought by a bizarre coalition including two former prime ministers – Labor's Mr Gough Whitlam and the conservative Mr Malcolm Fraser – who have never previously been known to agree about anything.

Superficially, the critics are objecting to the possibility of increased concentration of media ownership. But the real objection is to Mr Packer's aggressive style, and fears that he would intervene in editorial policy, ending the freedom currently enjoyed by Fairfax journalists.

His father, Sir Frank Packer, was a noted interventionist when he ran the Sydney Daily Telegraph, then the main competition to the Fairfax Press. The Telegraph was sold to Mr Rupert Murdoch before Mr Packer inherited control of



Kerry Packer: has never owned a leading newspaper

Consolidated Press Holdings, the family company, in the mid-1970s.

Mr Packer told a recent parliamentary inquiry into the print industry that he reserved the same right to intervene in the editorial policy of the 100 or so publications currently owned by CPH, which also has extensive industrial interests.

However, he also said he was "not interested" in exercising his proprietorial rights over the magazines, which range from teenage "fanzines" to The Bulletin, a news magazine in the style of Time of the US.

It was a claim greeted with a hollow laugh by many journalists, but it is defended by Mr Trevor Sykes, a former editor of both The Bulletin and Mr Packer's Australian Business magazine.

"I have been editor of two of his publications over 12 or 13 years . . . and he has never given me an order. He made about six or seven suggestions, but that is a very low level of interventionism," says Mr Sykes.

"He has an excellent news sense, and if he tells you something is going to happen or someone is going to do something, he is usually right. He did not get all he wanted into print, but he never tried to stop us running anything either, and I never heard a word from him on the occasions when we criticised people who complained to him."

A very different story is told by Mr David Dale, another former editor of The Bulletin, who was fired and escorted from the CPH building by security guards after Mr Packer took exception to a cover story listing Australia's best and worst people.

"There was a sort of hotline system – a great yellow telephone on the desk which would suddenly sound with a loud and annoying buzz which was a summons to go and see Packer in his office," says Mr Dale.

"You had to drop whatever you were doing for the next hour and go straight over. He operates quite a lot on whims, and if got an idea in his head you had to go immediately to see him."

Mr Dale says The Bulletin and other magazines were instructed by Mr Packer to campaign on a number of specific issues, including the government's policy of reducing protective tariffs, which had the potential to affect CPH's wide industrial interests.

Mr Packer was also strongly opposed to coverage of an independent commission set up by the state government in New South Wales to root out alleged corruption.

"He said it was a kangaroo court and it was not appropriate for The Bulletin to be running that sort of thing," says Mr Dale.

Another senior CPH journalist, who preferred not to be named, says most of the company's editors rarely see Mr Packer. "But it is understood in the company that if you consistently write things that are going to annoy Kerry, then you may well find you are on your bike.

Against that, other journalists point out that Mr Packer was sufficiently annoyed by two recent articles on TNT, the transport company, to issue a statement disassociating himself from the views expressed. Yet the journalists involved were not reprimanded, and one has since been promoted.

How Mr Packer would run a leading newspaper group remains an open question. But most observers think he would be unlikely to give ideological support to the conservative parties in either Britain or Australia.

As Mr Fraser has pointed out with some bitterness, Mr Packer has worked closely with Australia's federal Labor government led by Mr Bob Hawke, and CPH insiders say his instinct is to cultivate political leaders of all stamps.

"It is really a matter of where his pragmatic self-interest lies," says Mr Dale.

SA agency postpones issue of Eurobonds

By Philip Gawith in Johannesburg

THE Independent Development Trust (IDT), the South African development agency, will postpone until next year its proposed $100m Eurobond issue following the withdrawal of support from the African National Congress (ANC).

Problems arose in October when the IDT sought to promote the scheme internationally, only to find that the ANC, the leading opposition political grouping in South Africa, no longer supported it.

Yesterday, the IDT said: "It appears that, despite the support originally given to the venture, the ANC now regards the inflow of loan funds for a national school building programme as being in conflict with its policy on financial sanctions." The delay and confusion caused by these events had "impacted on the IDT's capacity to access the markets at this time".

Mr Carl Niehaus, an ANC spokesman, confirmed that the ANC believed financial sanctions needed to be maintained to keep pressure on the government. He said the time to review this policy would be when it was clear South Africa was on the road to a full democracy – a point not yet been reached.

Mr Niehaus said the ANC also had doubts about the details of the IDT's school building programme.

The failure of the IDT's issue is an unwelcome hiccup from the point of view of South African institutions wishing to access international capital markets. Investors are likely to remain cautious about South African issues so long as they appear to be the source of domestic political controversy.

Crédit Suisse opens office in Moscow

CREDIT Suisse has opened an office in Moscow aimed at offering advice on privatising commercial trade, Reuter reports from Moscow.

The bank said it had begun advising a handful of Soviet companies, including the massive Moskvich automotive works, on how to make the transition from state to private ownership.

UK bonds warm to result of £1.5bn gilt auction

By Simon London in London and Patrick Harverson in New York

THE UK government bond market reacted positively to the results of yesterday's £1.5bn gilt auction, which suggested strong domestic demand for paper despite recent market weakness.

The December gilt futures contract on the London International Financial Futures Exchange closed at 98.18, up from an opening level of 98.14. Although the price movement was limited, trading volume was a heavy 40,000 contracts.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed at 111⅞ for a yield of 9.94 per cent, against 9.98 per cent on Tuesday.

The auction of £1.5bn 9 per cent conversion stock maturing 2011 was covered 2.28 times, with the Bank of England receiving bids for £3.4bn stock. Dealers said the level of cover was encouraging,

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suggesting firm underlying demand for gilts from UK investors. The long-dated maturity is not generally popular with overseas investors. The two previous gilt auctions were covered 1.9 and 2.19 times.

The lowest price accepted by the bank was 98.16, for a yield of 9.75 per cent. The average yield for the auction was 9.74 per cent. The 1 basis point "tail" between the average and the lowest bid was seen as a sign of strong demand at current yield levels.

The only doubt expressed by analysts was the amount of new money drawn into the market by the auction. Yields at the 10-year maturity have risen by 22 basis points over the past week, suggesting that some investors have been switching from 10-year paper to the longer maturity stock.

■ GERMAN government bond prices fell sharply in late trading, with the market dragged lower by the weakness of US Treasury bond prices and fears of higher domestic inflation.

The December bund futures contract on Liffe was trading at 85.67 by late afternoon, well down from the opening level of 85.95. Volume was a heavy 40,000 contracts.

The 8¼ per cent cash bund closed at 99.50 for a yield of 8.32 per cent, up from 8.29 per cent on Tuesday.

Like many other European markets, the bund market sold off in early trading following a statement by Mr Eduard Shevardnadze, the Soviet foreign minister, which pointed to the threat of a right-wing political backlash to recent reforms.

Analysts also noted that provisional inflation data from German länder for November was higher than expected. Yesterday, Bavaria announced that the cost of living had risen at a year-on-year rate of 4.1 per cent during the month. The market had been expecting a national inflation rate of 4 per cent, but the regional data suggests the eventual outcome will be higher.

These factors, and the weakness of the US Treasury bond market, also hit at other European markets. For example, the benchmark 9½ per cent 10-year French government OAT closed ⅛ a point down on the day on a yield of 8.95 per cent.

■ ALTHOUGH early news of a big fall in weekly jobless claims and a strong rise in durable goods orders pushed US bond prices lower yesterday morning, prices recovered later in the session, especially at the short end, as the data failed to knock the market's hopes of more interest rate cuts.

By midday, the benchmark 30-year government bond was down ¼ at 100⅝, yielding 7.961 per cent. The two-year note, however, was firmer, up 1/32 at 100 3/32, yielding 5.433 per cent.

The market opened lower on news of an 80,000 decline in initial claims for state unemployment insurance in the second week of November, and a 3 per cent rise in durable goo[ds] orders for October. Both sets [of] data, however, were distort[ed] by one-off factors – the jobl[ess] numbers by the Veterans' D[ay] holiday, and the orders figu[res] by seasonally large defen[ce] contracts.

Once these factors we[re] stripped out, the underlyi[ng] message was still one of wea[k]ness, and bond prices ralli[ed] mid-morning on the expec[ta]tion that the Federal Rese[rve] will ease monetary policy o[nce] more before the year is out [to] stimulate the economy.

■ JAPANESE governme[nt] bond prices strengthened ov[er]night in Tokyo, although tr[ad]ing activity remained light [and] sentiment was dominated [by] international factors.

The benchmark No 129 is[sue] closed on a yield of 5.885 [per] cent, from an opening level [of] 5.92 per cent.

Retail sales data for Octo[ber] showed spending increasing [at] a year-on-year rate of 3.4 [per] cent from 2.5 per cent in S[ep]tember. Analysts commen[ted] that the figures had little m[ar]ket impact. More likely [to] move sentiment is consu[mer] price inflation data due to [be] released on tomorrow.

The market is anticipati[ng a] slowing of inflation, leadin[g to] greater pressure for an eas[ing] of monetary conditions.

● MOSCOW Narodny B[ank] can meet all its obligations [and] continue to operate norma[lly,] Reuter reports from Londo[n.]

The bank said it had sou[ght] clarification of its posi[tion] from the Bank of England [fol]lowing a communiqué iss[ued] after recent meetings betw[een] the Group of Seven and eight Soviet republics.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7207	-0.003	9.81	9.76	10.
BELGIUM		9.000	08/01	99.0500	-0.050	9.14	9.07	8.
CANADA *		8.500	04/02	99.0500	+1.000	8.64	8.62	8.
DENMARK		9.000	11/00	99.7500	-0.075	9.04	8.94	8.
FRANCE	BTAN	8.500	11/96	97.4784	-0.152	9.15	9.02	8.
	OAT	9.500	01/01	103.0700	-0.350	8.96	8.83	8.
GERMANY		8.25	09/01	99.5300	-0.270	8.31	8.23	8.
ITALY		12.000	06/01	96.6000	+0.080	12.64	12.56	12
JAPAN	No 119	4.800	06/99	92.8918	-	6.22	6.26	6.
	No 129	6.400	03/00	102.8466	+0.085	5.89	5.93	5.
NETHERLANDS		8.500	03/01	97.8900	-0.360	8.83	8.72	8.
SPAIN		11.900	07/96	99.7000	-0.200	11.93	11.96	11
UK GILTS		10.000	11/96	99-30	+0/32	10.02	9.78	9.
		10.000	02/01	100-07	+4/32	9.96	9.73	9.
		9.000	10/08	94-02	+7/32	9.72	9.52	9.
US TREASURY *		7.500	11/01	100-19	-1/32	7.41	7.39	7.
		8.000	11/21	100-12	-1/32	7.97	7.93	8.

London closing, *denotes New York morning session. Yields: Local market stand[ard]. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sour[ces]

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on November 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105½	106¼	+⅛	6.78
ALBERTA PROVINCE 9 3/8 95	600	108¼	108⅝		6.89
AUSTRIA 8 1/2 00	400	104	104⅜	+⅛	7.81
BANK OF TOKYO 8 3/8 96	100	103½	104	+⅛	7.39
BELGIUM 9 5/8 98	250	110	110½	+⅛	7.63
BFCE 7 3/4 97	150	102½	103	+⅛	7.15
BNP 8 5/8 94	300	105¼	105⅝	+⅛	6.41
BRITISH GAS 8 3/8 99	350	103⅞	104⅜	+⅛	7.69
CANADA 9 96	1000	107⅞	108¼		6.79
CARCO 9 1/4 96	650	104	105¼	+⅞	8.18
CCCE 9 1/4 95	300	107¼	108¼		6.52
COUNCIL EUROPE 8 96	100	103⅞	104⅜	+⅛	6.99
CREDIT FONCIER 9 1/2 99	300	110¼	110½	+⅛	7.62
DENMARK 8 1/4 94	150	104⅜	105	+⅛	6.33
DENMARK 9 1/4 95	1571	107⅞	108	+⅛	6.55
ECSC 8 1/4 96	193	105¼	105¾	+⅛	7.00
EEC 8 1/4 96	100	104	104½	-⅛	7.17
EIB 7 3/4 96	250	103	103½		6.95
EIB 9 1/4 97	1000	109¼	109⅝		7.28
ELEC DE FRANCE 9 98	200	107¼	107⅝	+⅛	7.50
EURO CRED CARD TST 9 94	325	103½	104½	-⅛	7.59
EUROFIMA 9 1/4 96	100	107½	108¼	+⅛	7.14
EXPORT DEV CORP 9 1/2 98	150	109⅝	110¼	+⅛	7.56
FINLAND 7 7/8 97	200	102⅜	102⅞	+⅛	7.30
FINNISH EXPORT 9 3/8 95	200	108¼	108½	+⅛	6.89
FORD CAPITAL 9 3/4 97	250	105⅜	105⅝	+⅛	8.47
GEN ELEC CAPITAL 9 3/8 96	300	107½	108¼	+⅛	7.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.64
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.22
WORLD BANK 8 96 LFr	1000	96¼	97½		9.08
ABN AMRO HOLDINGS 9 1/4 01 Fl	750	102½	102¾		8.83
UNILEVER 9 00 Fl	500	103¼	103¾	+⅛	8.44
ALBERTA PROVINCE 10 5/8 96 C$	500	105¼	105¾	+⅛	9.01
BELL CANADA 10 5/8 99 C$	150	104¾	105¼	+⅛	9.69
BRITISH COLUMBIA 10 96 C$	500	103¼	103¾	+⅛	9.06
EIB 10 1/8 98 C$	130	104⅞	105⅜	+⅛	9.05
ELEC DE FRANCE 9 3/4 99 C$	275	102⅞	103¼	+⅛	9.23
FORD CREDIT CANADA 10 94 C$	100	102¼	102¾	+⅛	8.99
GEN ELEC CAPITAL 10 96 C$	300	103¼	103¾	+⅛	9.06
KFW INT FIN 10 01 C$	400	102⅜	102⅞	+⅛	9.59
NIPPON TEL & TEL 10 1/4 94 C$	200	104⅜	104⅞	+⅛	9.43
ONTARIO HYDRO 10 7/8 99 C$	500	106¼	106⅝	+⅛	9.63
OSTER KONTROLLBANK 10 1/4 99 C$	150	104½	105	+⅛	9.38
QUEBEC PROV 10 1/2 98 C$	200	104½	105	+⅛	9.59
BELGIUM 9 1/8 96 Ecu	1250	99⅞	100		9.14
CREDIT LYONNAIS 9 96 Ecu	125	97½	98⅜	-⅛	9.69
DENMARK 7 5/8 96 Ecu	250	92¼	93⅛		9.85
EEC 7 5/8 94 Ecu	200	96¼	96½	+⅛	9.59
EIB 10 97 Ecu	1125	104	104½		8.99
FERRO DEL STAT 10 1/8 98 Ecu	500	103⅞	104	+⅛	9.26
ITALY 10 3/4 00 Ecu	1000	109¼	109⅞		9.13
UNITED KINGDOM 9 1/8 01 Ecu	2750	100⅞	100⅞		8.97
BP AMERICA 12 1/4 96 A$	100	107¼	108¼		9.90
COMM BK AUSTRALIA 13 3/4 99 A$	100	117½	117⅞	-⅛	10.38
EKSPORTFINANS 12 3/8 95 A$	75	109	109½	-⅛	9.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available – previous day's price
§ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Enersis sets out to scale the Andes

Leslie Crawford reports on the Chilean utility's bid to move into Argentina

ENERSIS, a private holding company of Chilean electricity companies, hopes to raise $60m from US institutional investors next month to bid in the forthcoming privatisation of Argentina's biggest utility, Segba.

Chilectra Metropolitana, Enersis' main subsidiary, will become the second Chilean company to issue American depository receipts, although, unlike the trail-blazing Compania de Telefonos de Chile, it will not be seeking a listing on the New York Stock Exchange.

The ADRs, which enable foreign companies to sell equity in the US, will be placed privately by J. P. Morgan, the US investment bank.

Enersis believes it can teach its neighbours across the Andes how to run profitable, privately-owned utilities. It is already helping Segba, which serves Buenos Aires' 11m inhabitants, to reduce electricity theft – key expertise in the power distribution business.

The Argentine utility loses more than $100m each month as a result of theft and the non-payment of bills.

By contrast, Enersis posted a $130m profit in the first nine months of 1991 – a 25.4 per cent return on assets.

Enersis is interested in the distribution part of Segba, which is expected to be split from the utility's power stations when it comes up for sale early next year. The Chilean holding is talking to potential partners in the US, Spain and France as it is too small to bid for Segba alone.

The key to Segba's profitability lies in a new tariff law being discussed in the Argentine Congress. Enersis executives have also told the Argentine government to expect heavy job cuts.

If Enersis gains control of Segba, it will be repeating the financial coup that allowed it to become the undisputed master of Chile's electricity sector in less than five years.

Enersis is the brainchild of Mr José Piñera, a minister in the 1973-1990 Pinochet military dictatorship. Virtually every watt of electricity was privatised in the regime's last years.

The sector was divided into distribution and generating companies and their shares sold over a period of years to employees and the general public in a process dubbed "popular capitalism".

In 1987, Mr Piñera and Mr Jose Yuraszeck, another former official of the military regime, devised a way of gaining control of an important package of Chilectra shares that were being sold by the government.

They persuaded Chilectra employees to swap their shares for "ownership rights" in two investment companies controlled by Chilectra executives, known as "Chispitas 1 and 2".

These shares were then used as collateral for a $12m bank loan to buy the government's last remaining shareholding in Chilectra.

In 1988, Chilectra was split into independent units – an electricity distribution company for Santiago, a real estate company, a computer services company and other smaller offshoots. Enersis was formed as the holding company for them all, with Mr Piñera as its president and Mr Juraszeck as its general manager.

Another $25m bank loan in 1990 allowed the Chispitas, and hence its executives, to gain control of 33 per cent of Enersis. A few months later, Enersis bought a 12 per cent stake in Endesa, which generates about half of the country's electricity and is the largest and most profitable private holding in Chile

This allowed Enersis to appoint two directors to Endesa's nine-man board, namely Mr Piñera and Mr Juraszeck. Mr Piñera last month resigned from his directorships in Enersis and Endesa to concentrate on his political career.

Enersis' predatory tactics has raised concern that it is creating a *de facto* monopoly in the Chilean electricity sector – a situation which the privatisation of separate generating and distribution companies sought to prevent.

The strongest critics are Chilectra's employees, who have seen next to no return on their investment because their share of Enersis' profits has gone to repay the Chispitas bank loans used to finance acquisitions.

Mr Marcelo Brito, Enersis' financial director, says workers were warned that their participation in Chispitas would be a long-term investment.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 28.11.91: Pool purchase price £/MWh	Final Prices for Trading on 24.11.91: Pool purchase price £/MWh
0030	16.52	16.03
0100	16.59	16.04
0130	16.66	16.15
0200	16.66	16.04
0230	16.55	15.92
0300	16.54	15.92
0330	16.49	15.86
0400	16.46	15.88
0430	16.45	15.86
0500	16.44	15.85
0530	16.48	15.85
0600	16.48	15.88
0630	16.52	15.90
0700	16.58	16.21
0730	17.75	16.31
0800	18.15	16.31
0830	18.40	16.82
0900	18.40	19.19
0930	19.63	19.48
1000	19.97	19.60
1030	19.97	19.50
1100	19.97	19.52
1130	21.49	25.57
1200	21.50	25.40
1230	21.60	25.38
1300	21.49	25.94
1330	18.97	19.21
1400	18.97	19.19
1430	17.10	18.75
1500	19.98	18.75
1530	20.04	18.74
1600	22.28	18.77
1630	51.28	22.15
1700	78.75	36.02
1730	80.68	39.93
1800	60.62	40.18
1830	33.62	32.38
1900	23.60	27.09
1930	21.50	23.80
2000	18.41	21.83
2030	17.76	18.81
2100	17.75	18.72
2130	17.71	18.69
2200	16.75	18.69
2230	16.69	18.69
2300	16.49	16.04
[illegible]	[illegible]	[illegible]

Issues swamp Eurobond's Canadian dollar sector

By Tracy Corrigan

A FLOOD of new issues swamped the Canadian dollar sector of the Eurobond market yesterday, taking advantage of attractive swap opportunities.

Spain, meanwhile, launched the largest ever Eurobond offering in French francs, totalling FFr6bn.

Most dealers said demand for Canadian dollar securities remained cautious in the wake of the sharp fall in the bond market earlier this month, and some jitters on the currency. Although the market has since stabilised, some investors are starting to feel that the almost year-long bull run may be over.

The Canadian government bond market firmed in volatile trading conditions as dealers bought government bonds to hedge swap positions taken in conjunction with the new Eurobond issues.

The Republic of Finland launched a C$250m seven-year deal, which was swapped into fixed-rate D-Marks and Dutch guilders, while a C$200m six-year deal for Osterreichische Kontrollbank, guaranteed by the Republic of Austria, was swapped into fixed-rate yen, according to market sources.

Finland has lost some of its prestige as a top sovereign borrower, due to its sharply declining economy, which forced a devaluation of the markka earlier this month. Its debt is currently under review for possible downgrade, and it is likely to face higher funding needs next year. In view of these problems, the launch spread of 45 basis points above the interpolated yield curve was not considered attractive.

The OKB deal was considered aggressively priced at 30 basis points above the five-year curve, but OKB's triple-A credit is among the best in the market, and is well liked by central banks, as well as fund managers.

Also in the Canadian sector, IBM launched a C$100m five-year deal via Merrill Lynch.

INTERNATIONAL BONDS

The deal was retail targeted, but dealers said it would have to rely on Swiss investor demand as investors in Belgium and Luxembourg, the traditional buyers of this kind of paper, are shunning the market at the moment.

Meanwhile, the largest ever deal in the French market met firm demand. The FF6bn transaction for Spain, increased from FFr5bn, has an unusually long maturity of 13 years.

Spain, which is keeping the proceeds in fixed-rate French francs on the view that the currency risk is slight, was keen to lock in long-dated fixed-rate funding, and the French market is possibly the only sector of the Eurobond market where deals beyond 10 years are feasible. Lead manager, Crédit Lyonnais, estimated that around two thirds of the deal was placed outside France.

● SWISS Bank Corporation is to tender for a maximum of $200m of Eurobonds issued by the Australian Wheat Board, its second tender for its own account this month. Most of the 9.5 per cent bonds due December 1993 are believed to be held by Swiss retail investors.

As lead manager of the original transaction, Swiss Bank will be in a stronger position to tease out these bonds.

Last week, SBC tendered for two Commonwealth of Australian Eurobonds, many of which were held by Swiss investors. The bank declined to comment on the results of that tender.

● CREDIT Lyonnais has increased its $250m offering of three-year bonds launched last week to $270m, after investors exercised the option to increase holdings by 20 per cent. The option expired yesterday.

● STANDARD & Poor's has lowered the Eurocommercial paper and certificates of deposit ratings of Gota Bank and the US commercial paper rating of Gota Bank Inc., guaranteed by Gota Bank, to A-2 from A-1, AP-DJ reports.

All ratings are removed from S&P's CreditWatch surveillance.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Republic of Finland(a)†	250	9	101.605	1998	1⅞	SBC
Oesterreichische K'Bank(a)†	200	8½	101.225	1997	1⅞/1.6	Goldman Sachs
IBM Int. Finance NV.(a)†	100	8⅝	101.48	1996	1⅞/1⅝	Merrill Lynch
Caisse Cent. Desjardins(b)†	150	8¾	100.925	1996	1⅞/1.775	Wood Gundy
STERLING						
Mortgage Fund.Corp No.5(e)‡†	110	(e)	100	2035	0.155/0.10	Goldman Sachs
Mortgage Fund.Corp No.5(f)‡†	80	(f)	100	2035	0.55/0.40	Goldman Sachs
FRENCH FRANCS						
Kingdom of Spain(a)†	6bn	9¼	98.76	2004	35/20bp	Credit Lyonnais
SWISS FRANCS						
Umwelt & Wasser(a)†	150	7	101⅜	2003	-	Wirtschafts & Privatbank
Nippon Metal Ind.(c)★★♦	130	4½	100	1995	-	Bank Leu
Hotel New Hankyu(a)★★♦	60	4½	100	1995	-	SBC
Nagase Brothers Inc.(d)★★§	40	4¼	100	1996	-	UBS
ESCUDOS						
Inter-American Devt.Bk.(a)†	11.5bn	12	101⅛	1996	1⅝/1¼	Bco. Portugues d'Invest.
LUXEMBOURG FRANCS						
Credit Suisse (Lux)(a)†	2.5bn	9⅛	101.90	2001	2/1¾	BGL

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Amount increased from C$100m. Non-callable. c) Callable on 19/12/93 at 101% and 19/12/94 at 101½%. d) Put option 30/9/94 at 110¼% to yield 7.851%. e) Coupon pays 37.5bp over 3-month Libor, until 11/94, then steps up to 75bp over 3-month Libor. Average life- 1.5 years. f) Coupon pays 55bp over 3-month Libor until 11/97, then steps up to 100bp over 3-month Libor. Average life - 5 years.

Brokers 'should meet capital adequacy'

By Richard Waters

SECURITIES companies should conform in all respects to the same capital adequacy rules as banks, according to the latest in a string of controversial proposals from the European Commission.

If adopted, the proposal would force non-bank securities companies to increase their capital, forcing up their costs. The proposal has sparked concern particularly in the UK, where non-bank companies dominate the securities industry.

Brussels proposes in the Capital Adequacy Directive that the securities books of both banks and non-banks should be subjected to the same rules on capital adequacy. This argument has won the general support of international securities and banking regulators, who have been attempting to reach agreement on common capital rules.

However, the Commission has now gone further by proposing that all of a securities company's business should be subjected to bank-style rules, not just its securities book.

This would mean, for instance, that agency broking firms (which do not take securities on to their own books) would have to comply with bank capital rules. That would catch such leading UK securities houses as Cazenove, as well as some of the largest retail brokers in the country.

At present, for regulatory purposes, UK securities companies can use subordinated debt of up to four times their shareholders' funds. Under bank rules subordinated debt would not be able to exceed shareholders' funds.

Also, securities companies would be subjected to EC rules on bank exposure limits, limiting their exposure to a particular client as a proportion of their capital base.

Mr Richard Breeden, chairman of the US Securities and Exchange Commission and head of the technical committee of Iosco, the international grouping of securities regulators, is due to meet the Basle group of bank supervisors in January to discuss convergence in capital rules.

Bulgaria enters the bourse business

Judy Dempsey on preparations for the country's first stock exchange

IF Mr Victor Parazov has his way, Bulgaria will have its first stock exchange by Christmas. The newly-elected Bulgarian government is racing against time to draw up plans for privatisation, introduce a new banking law, and revamp its foreign investment legislation.

However, despite the awesome schedule, Mr Parazov, the 33-year-old chief executive of the First Bulgarian Stock Exchange, says the exchange must be in place before the reforms get under way.

"Of course, we need companies in order to trade. But now is the time to train staff, attract private investment, and make sure we are prepared for the government's privatisation programme," he said.

Setting up a stock exchange in a country where, until recently, private companies were banned and the state controlled almost the entire economy, has not been easy. However Mr Parazov is spending three weeks visiting merchant banks, seeking advise, and finding out what mistakes to avoid.

"The first thing we had to do was to find private investors to set up the exchange," he said.

The exchange is funded by 10 Bulgarian shareholders who together have raised capital worth Lv10m ($580,383). "No one shareholder can hold more than 10 per cent of the shares because we don't want to make the exchange into another monopoly," Mr Parazov said.

Filip Dimitrov: government has had to redraw laws

The investors include the Credit Bank, Bulgaria's first private bank; an insurance company based in Sofia, the Bulgarian capital; and an industrial trading company.

"I reckon that we will be up and running in about 20 days time. Initially, we will trade in bonds, and bills of exchange. But I expect it to expand once the parliament finally passes a new privatisation, banking, and foreign investment law," he said.

The Bulgarian government, which is headed by Mr Filip Dimitrov, a 36-year-old lawyer and leader of the Union of Democratic Forces party, has had to throw out a banking law drawn up by the former communist regime because it did not allow the required degree of competition.

Similarly, a privatisation law passed earlier this year effectively allowed state-owned enterprises to be privatised as monopolies. "We need competition as quickly as possible," said Mr Parazov.

In addition, a new foreign investment law, aimed at giving foreign companies tax holidays – the right to repatriate profits in hard currency – has still to be drawn up.

"The reforms will not be effective without foreign investment, or real competition," said Mr Parazov, who spent several years working with an import-export trading company in Sofia.

His time in London was also instructive, to say the least. Mr Parazov now has no illusions about the needs of the stock exchange.

"I have seen all this wonderful computer equipment here. But all I want, initially, are second-hand computers – even a blackboard. After all, what good are computers when we have very serious energy shortages and power cuts in our country," he asked.

"But apart from some equipment, what we really need are skilled people to get the exchange off the ground. We need good advice."

For all his enthusiasm and energy, Mr Parazov is not convinced that the Bulgarians are ready for the sort of risks associated with share markets. "That is what a stock exchange is all about," he said.

"You must remember that, for the past 40 years, the Bulgarian people never had to take risks. It was a world of security."

Mr Parazov is pinning his hopes on the younger generation. "This will take time. I recently asked a friend of mine why he was not going to go into the private sector. He replied: 'It's not safe.'"

Undaunted by old attitudes, Mr Parazov believes that if the new government is commited to reforms which will legally protect the private sector, it might encourage younger people to start taking risks.

"We have a lot of work to do. We have a lot of damage to repair," he said, adding that one of his first tasks when he returns to Bulgaria next month is to find premises for the new trading floor.

Futures market launches closer

By Tracy Corrigan

PLANS for the development of European futures markets moved ahead yesterday when the Belgian Futures and Options Exchange announced its much-postponed launch date. At the same time, the Italian authorities reached an agreement in principle with primary government bond dealers on the structure of the Italian government bond futures market, which they plan to launch next June.

Belfox will finally open its doors on December 6, after a series of postponements this year.

The Belgian exchange, which has had to contend with a fire in the bourse and a change of government, as well as numerous technical problems with its sophisticated trading system, will initially trade only Belgian government bond futures; stock and stock index options will be added to the screen trading system later.

Meanwhile, at a meeting on Monday, the Bank of Italy outlined the structure of the new futures market, which will be added to the existing screen-traded cash market for Italian government bonds. An agreement between the primary dealers, the Bank of Italy and Consob, the regulatory authority, is expected to be signed by the end of the year.

The main task ahead of the market's launch will be the setting up of the clearing house. Primary dealers will become shareholders in a new clearing house, which will be created to serve the futures market. The structure is standard for futures markets.

The next step is for a ministerial decree to pave the way for the creation of the market. Already in draft form, the decree is expected to be issued in the next few months.

However, the new market will have to compete for business with the London International Financial Futures Exchange and the Matif, the French futures exchange, which started trading Italian government bond futures contracts in September.

The market in BTPs – the long-dated fixed-rate Italian government bonds which are the underlying instruments for future contracts – has developed swiftly, and outstandings now total L227,000bn. Around 40 per cent of trading in these instruments is believed to take place outside Italy.

Group of banks wins $496m Air India mandate

By R.C. Murthy in Bombay

A CONSORTIUM headed by Citibank and ANZ Banking has won a mandate from Air India to finance the acquisition of four Boeing 747-400 aircraft worth $496m.

This is the first significant loan for an Indian company since the country's credit rating was downgraded last year.

However, the financing package does not have a government guarantee. As an international airline, Air India generates adequate foreign currency earnings to service the debt, and does not have to depend on India's foreign exchange reserves.

The consortium has offered to underwrite the total cost of four Boeing 747-400s.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Wednesday November 27 1991

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	2	31
Other Fixed Interest	6	2	11
Commercial, Industrial	128	342	1,023
Financial & Property	63	151	559
Oil & Gas	18	21	53
Plantations	0	1	9
Mines	40	38	74
Others	70	14	64
Totals	374	571	1,824

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ¢ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ж Unit comprising of 5 Units and 1 Warrant.

LONDON TRADED OPTIONS

[illegible]

November 27 Total Contracts 20,758
Calls 13,444 Puts 7,314
FT-SE Index Calls 1,870 Puts 2,680
Euro FT-SE Calls 16 Puts 477
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry dates
Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

● First Dealings Nov. 18
● Last Dealings Nov. 29
● Last Declarations Feb. 20
● For settlement March 2

For rate indications see end of London Share Service

Calls in Cabra Ests., Kunick, Maxwell Comm., Midland & Scot. Res., Racal Elects. and Rosehaugh. Put in Maxwell Comm. Puts and calls in ADT and Altwoods.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p	Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½	Mountleigh	4
Amstrad	6	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	53	**OILS**	
Astec (BSR)	5	Eurotunnel	50	Lex Service	16	TI	39	Aviva Pet	3
BAT Inds	53	FKI	5	Lloyds Bank	30	TSB	11	BP	26
BOC	48	FNFC	10	Lonrho	20	Tesco	21	Burmah Castrol	47
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	8
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4
Boots	33	GEC	18	NatWest Bank	28	Vickers	16	Shell	40
Bowater	56	Glaxo	110	P & O Dfd	41	Wellcome	60	Tuskar Res	1
Brit Aerospace	35	Grand Met	67	Racal Elect	6	**PROPERTY**		Ultramar	20
British Steel	10	GRE	14	RHM	23	Brit Land	27	**MINES**	
Brit Telecom	33	Hanson	17	Rank Org	55	Control Sec.	2	RTZ	46
Cadburys	35	Hawker Sidd	55	Ratners	12	Land Sec.	41		

Unigate little changed at £43.3m

By Andrew Bolger

UNIGATE, the food and transport group which in June announced a restructuring of its business, yesterday reported flat profits for the six months to September 30.

The group had still not disposed of the two businesses it wanted to sell – the JP Wood commodity chicken subsidiary and the car contract hire part of the Wincanton transport division – but said the fundamental strengths of the group meant it would not be rushed into a premature decision.

Mr Ross Buckland, who joined as chief executive in October last year, said the group was focusing primarily on food and related distribution. Future acquisitions were likely to be on a substantial scale.

Unigate made interim pre-tax profits of £43.3m, compared with £41.4m in the same period last year.

However, the results were virtually unchanged after adjusting for losses made in the first half last year by businesses which were to be divested, weakening of the dollar and lower property profits.

Sir Brian Kellett, chairman, said: "Recent trading suggests that the bottom of the recession may have been reached, but conditions industry-wide remain difficult."

Turnover dropped from £1.21bn to £1.04bn. The group said its UK food businesses produced a resilient performance in adverse trading conditions, with operating profits of £26.8m (£26.7m).

Within that Unigate Dairies' profit increased from £11.3m to £13.3m, in spite of a decline of just under 1 per cent in milk volumes. Doorstep sales, although down, were lifted by the acquisition of Abbots Dairies in Kent, and supermarket volumes continued to grow strongly.

However, the Farm Foods division saw operating profit fall from £4.7m to £2.6m, reflecting the difficult market for turkey products, where continental European demand and prices were weak.

St Ivel Chilled Products improved operating profits, with increased sales of low-fat spreads and chilled deserts. The Gold low-fat spread and Shape yoghurt brands performed well, assisted by increased advertising.

The US Food division saw operating profits rise from £8.1m to £8.8m. Restaurants' profit, although unchanged in sterling, showed a 9 per cent increase in dollar terms. New openings over the past year, combined with close control of costs, contributed to further growth for the Black-eyed Pea chain.

Wincanton Distribution increased operating profits by 23 per cent to £5.4m, reflecting new distribution contracts and the continuing growth of Unigate Chilled Distribution.

Operating profits at Arlington, which sells and services vehicles, and National Car Auctions were flat at £1.7m.

Earnings per share were 12.7p (12.1p) and the interim dividend is maintained at 5.7p. Net debt of £129m gives gearing of 29 per cent.

See Lex

DTI clears four bids for Southern News

By Richard Gourlay

THE DEPARTMENT of Trade and Industry yesterday cleared four companies to bid for Southern Newspapers, the regional publisher of titles which include the Southern Evening Echo, after an investigation by the Monopolies and Mergers Commission.

The DTI's clearance of Emap, Pearson (the publisher of the Financial Times), Reed International and Trinity International raises the prospect of the first significant takeover in the newspaper sector since United Newspapers' 1985 purchase of the Daily Express.

Under Takeover Panel rules, any one of the four companies can now bid within 21 days or wait until a year after the reference to the MMC, unless either the bid is recommended or another bidder emerges.

Trinity, which publishes the Liverpool Daily Post and Echo, triggered the rush of interest in Southern last July when it announced it was planning to make a hostile bid. Under UK laws any change of newspaper ownership needs DTI approval.

In July Trinity, Reed and Pearson all reserved the right not to bid for Southern even if their various bids were cleared.

Southern has a market capitalisation of about £80m but its shares are only traded on a matched bargain basis, thus making a hostile bid more difficult.

Mr James Sexton, chief executive of Southern, said yesterday that the group was well placed to trade successfully as an independent company, adding, "Should an offer be made, the board will, of course, consider it on its merits."

One observer said the DTI clearance had started "an exquisite poker game" with no potential bidder likely to want to be first forward. Any bidder would most likely try to seek a recommendation from the Southern board.

The MMC came to the unanimous opinion that the transfer of Southern to Emap, Reed or Trinity would not act against the public interest. In Pearson's case, one member of the Commission said there would be a loss of competition and choice for readers and advertisers in the Vale of Pewsey and Devizes and would operate against public interest.

Mr John Redwood, minister of corporate affairs, said he accepted the MMC's conclusion that the potential for Pearson to exploit its strong market position was small.

In the year to June Southern made pre-tax profits of £8.6m, down from £15m the previous year. The 1989-90 results were inflated by profit on the sale of Reuters shares and both years were depressed by extraordinary write-offs of an investment at Leading Leisure, a property company now in receivership.

First orders for Tate & Lyle's new sweetener

TATE & LYLE said yesterday that it had received its first orders for Sucralose, the newly-developed calorie-free sweetener which was approved in September by authorities in Canada, the first country to authorise it for sale, writes Guy de Jonquières.

Staley, the company's US cereals sweetener and starch company, also plans next spring to start producing Stellar, a corn-based fat substitute which it announced in June. Sales in the current year are forecast at about $15m (£8.4m).

At full capacity, the plant will make about 12m lbs of Stellar annually, with a value of $60m. Staley is in talks with more than 20 food manufacturers on plans to incorporate Stellar in their products.

Tate & Lyle, which believes the world market for fat substitutes could grow to $1bn annually, doubled its spending on new product development to more than £40m last year. Two thirds of the money was spent on cereal sweeteners.

● COMMENT

Much as Tate & Lyle may protest that sugar is not in inexorable long-term decline, last year's performance was distinguished chiefly by its success in squeezing cost and cash out of static sales. Management is confident that efficiency gains will continue at a similar pace: increased annual operating profits of $10m are promised from just one project, an advanced US sugar extraction plant. Meanwhile, new non-sugar products, notably Sucralose and Stellar, should start making contributions in the current year. Though the initial sums will be small, they – and sharply increased development spending – underline Tate & Lyle's commitment to diversifying into higher value added products. Add in the prospect of a modest recovery in the US soft drinks market and a better corn harvest, and £250m pre-tax (excluding currency fluctuations) looks easily achievable this year.

Banking cushions Hambros decline

By Richard Waters

A STRONG performance from the banking division at Hambros helped it largely to shrug off losses from its estate agency business in the first half, according to figures published by the merchant banking and financial services group yesterday.

Profits before tax and minority interests amounted to £37.6m in the period to September 30, compared to £42.5m in the first half of 1990.

Eurobond and treasury operations mainly accounted for the the 23 per cent growth in banking profits to £40.5m (before central finance and other overhead costs). Provisions during the period were £4.7m (up marginally from £4.3m), leaving total provisions at less than 0.4 per cent.

Retail financial services returned a loss of £5m, largely as a result of the £4m loss already announced by Hambro Countrywide, its estate agency business. The loss cannot be set against other group earnings, pushing up the tax charge to 32 per cent during the period.

● COMMENT

Hambros had a warm welcome for the new shareholders who have found their way on to its register in the past few months, during which no less than a quarter of its shares have changed hands. After a half year in which about a quarter of the group's shares have found their way to new homes. After stripping out profits from investment sales (at just £3.2m, well down on the £11.5m in the corresponding period), Hambros' earnings advanced by some 11 per cent. That is due entirely to the banking business, which pushed its return on capital to an annualised 24 per cent – unlike last year, when earnings growth had been due to an increase in capital employed. The bank felt confident enough on the basis of these numbers to increase the interim dividend on its voting shares to 4.2p (4p), and the market repaid the complement by pushing the shares up by 16p to 270p on the day.

Michiyo Nakamoto reports on two water results

North West rises 8% but rails against political intervention

NORTH WEST Water issued a strongly worded appeal for separation between politics and the regulatory regime as it unveiled half-year results which it said were affected by the UK recession.

Mr Robert Thian, chief executive, criticised what he termed "undue political pressure" that has been exerted on both the industry and the regulator to reduce price increases.

Instead of recognising the benefits to the community coming from more profitable companies, "we have been pilloried from all sides and threatened with tougher regulation," he said. Political intervention had interfered with the relationship of trust between the regulator and the industry.

North West also criticised the dissemination by the regulator and politicians of what it said were "myths" about the industry as being recession-proof and low-risk.

"With the crop of results, the director general is going to have to rethink his position," the company said.

North West, which reported interim pre-tax profits up by 8 per cent to £123.7m (£114.9m), had felt the recessionary impact in weak demand for measured income, which was up by 8 per cent but just over 5 per cent below budget.

The critical tone adopted by North West towards the attitude of Mr Ian Byatt, the regulator, and politicians on the industry's profitability, contrasts with the more accommodating approach of the three other privatised water companies which have announced interim results so far.

The 10 privatised water companies are due to deliver the industry's response to Mr Byatt's consultation document on the cost of capital on Friday.

The interim dividend is lifted to 6.54p (6p) on earnings per share up at 32.5p (30.3p).

Although North West has agreed to a cost increase abatement next year, "I am fully justifying further cost increases and believe the reduction for next year is recession-related and should be one-off," Mr Dennis Grove, chairman, said.

Operating costs in the core business rose by 4.4 per cent to £180.6m, although for the group as a whole costs rose by 34 per cent to £234.4m largely as a result of expenses incurred by the process engineering division. This arm made a first-time contribution of £54m to sales and broke even after interest costs.

Investment expenditure was increased by 60 per cent to £246m resulting in the reversal into a net debt position with borrowings of £146.1m.

● COMMENT

North West is making no secret of its resentment over the forced reduction in its increase next year and would like to see "the same forceful determination by the regulator" in accelerating price increases "when the pendulum swings the other way", as Mr Thian writes. The danger of this strategy is that it could backfire if North West finds itself conspicuously out of line with the rest of the industry. Forecast full-year profits are £238m and a dividend for the year of 19.6p gives a prospective yield of 7.5 per cent, or a 35 per cent premium to the market, which is somewhat above its historical premium. But whatever it does, political and regulatory concerns will overhang the shares at least until the general election.

Northumbrian climbs 35%

TIGHT CONTROLS on operating costs helped Northumbrian Water Group, the smallest of the 10 privatised water companies, to record a 35 per cent increase in interim pre-tax profits, from £23.1m to £31.3m, despite a significant fall in interest income.

This ability to control operating costs restored margins to 27 per cent, against last time's 18 per cent which was lower than the industry average.

The interim dividend is increased by almost 10 per cent to 6.8p (6.2p) on earnings per share of 44.8p (33.2p).

"This was a judgment based on political, regulatory, customer and shareholder perceptions of the business," the company said.

It was evident that it could afford to increase the dividend more but it made sense to retain a large proportion of profits in the business, given the increasing insecurity of the business. Northumbrian has agreed to abate its price rise by one percentage point next year.

Some 80 per cent of pre-tax profit has been retained within the business for investment.

Demand held up well and turnover rose by 18 per cent to £98m (£83.2m). Northumbrian, which relies on supplying 30 per cent of its water to industrial companies such as British Steel and ICI, said that industrial demand had been firm despite the recession.

Site investigation is identified as an area for diversification where it would not compete with the other privatised water companies. The acquisition earlier this month of Earth Services makes it one of the three leading site investigation specialists in the UK.

James Duncan Group, an environmental services group, was also acquired for £3.6m during the first half.

The appointment, as independent directors, of Professor Sir Frederick Holliday, who is an expert on the environment and a board member of Shell UK and British Rail, and Sir John Riddell, deputy chairman of Credit Suisse First Boston, strengthens the company's links both with the City and environmental issues.

● COMMENT

Although profits were much in line with expectations, as was the encouraging fall in operating costs, there was some concern as to whether the latter have indeed been brought under control. Also, a sound diversification programme could make a considerable difference to Northumbrian's future, yet profits from this area have been modest, as the company itself says. Its waste treatment plants, the two largest projects, are still on hold. Full-year profits of £55m and a total dividend of 20.4p gives a 7.4 per cent yield. It would not hurt to wait for the diversification to deliver the goods.

London Electricity meets expectations

By Juliet Sychrava

LONDON Electricity yesterday confirmed City expectations by reporting pre-tax profits of £14.5m for the half year to September 30, compared with a pro forma loss of £1.1m.

Earnings per share were 4.7p (0.7p). An interim dividend of 5p, an increase of 12 per cent, is declared in line with analysts' forecasts.

"We would expect a 12 per cent increase in the final dividend," Mr Roger Urwin, managing director, said. Shareholders could expect consistent growth in pay-outs thereafter.

The profits increase was largely the result of a 4.3 per cent rise in units of electricity distributed, which pushed operating profit up by 8 per cent. Although the company suffered from the impact of the recession on its smaller commercial customers, domestic sales improved by 8 per cent.

Because cash balances of £240m have been stripped away by the government since privatisation, the company incurred an interest charge of £5.6m; that compared with actual interest income of £14.4m last year, although pro-forma interest income was £7.9m.

Costs were in line with the company's expectations. It did not make many job cuts over the six month period, but expected to cut manpower costs by 12 per cent over the next 4-5 years.

The company said it was well protected by contracts from rises in the pool or wholesale market where it buys its electricity, but like most regional companies was concerned about the additional "uplift" charge in the pool price, which has been rising and cannot be hedged through contracts. If this continued to rise above forecast levels, Mr Urwin said, it could wipe out £10m of profit.

● COMMENT

London offered investors fewer immediate carrots than Norweb, which announced its results on Tuesday. There has been no radical cost cutting, the company has employed more staff to deal with a bad debt problem, and its retail business is loss making. The costs in its supply business are higher than expected, and it may find it hard to claw them back next year. Sales growth, however, was well above the 1-2 per cent expected for the industry, and the company pleased both customers and shareholders by indicating that tariffs would not rise by less than inflation next year, and the dividend would set a trend for the future. Analysts' forecasts for the full year are in a narrow £147-£149m range pre-tax, putting the company on a prospective p/e of about 6.3.

Chelsea future in doubt

By Jane Fuller

THE FUTURE of Chelsea Football Club has been thrown into doubt by the news that it will receive a demand today to pay nearly £23m within 28 days for its Stamford Bridge ground in west London.

Mr John Duggan, chairman of Cabra Estates, the property company which owns the club's ground, said yesterday that the independent valuation of £22.85m perfected a property contract. If Chelsea FC did not pay, the debt would be pursued vigorously, if necessary to the point of bankrupting the club.

He did, however, say that he "actually expected to get paid", even though he had so far failed to reach agreement with Mr Ken Bates, Chelsea's chairman. Their duelling goes back to April 1989 when Cabra, then Conrad Holdings, took over Marler Estates in an all-share deal worth £83m. Cabra's market value yesterday was less than £13m.

Mr Bates told the Press Association he was confident the matter would be resolved in the near future, although he accused Cabra of having been obstructive and mentioned outstanding court actions.

Apart from finding funds to buy the ground, he has plans to build stands and to put flats, a hotel and a sports centre on the near 12-acre site.

Stamford Bridge: independently valued at £22.85m

The total cost, excluding the land, is estimated at about £100m. The club could have bought the site from the Mears family for £800,000 in 1982, before Marler paid £1.2m.

The valuation, released yesterday, came from Mr William Wells, a partner in Chesterton, the London firm of surveyors. His task was to assess the site's value in August 1988, the date that Chelsea FC exercised an option to buy.

The club was then in danger of eviction as a result of a deal – since rescinded – between Marler and Crest Nicholson, the building and property group. Chelsea's lease ran out two years ago.

Mr Wells' valuation was well below the £40m-£60m figure put on the site by Savills, another firm of surveyors, in July 1988, although the status of planning consents and the club's tenancy cloud comparisons.

Cabra, which incurred a pre-tax loss of £11.3m in the year to March 31, will have to knock £10m off the balance sheet value of Stamford Bridge.

However, any money received from Chelsea will ease its net debts, which totalled £52m in March.

Cabra also owns Fulham FC's ground at Craven Cottage. Fulham plans to move in with Chelsea – if it keeps its home.

Bad debt provision hits Marston

By Philip Rawstorne

FIRST HALF pre-tax profits at Marston Thompson & Evershed, the Burton-based regional brewer, fell 28 per cent under the impact of "the most difficult trading circumstances for over 20 years."

The decline from £9.68m to £6.99m in the six months to September 28 was marked by an exceptional provision of £2.3m against bad and doubtful debts among the £25m of loans to free trade customers.

Mr Michael Hurdle, chairman, said that provisions for at least a similar amount would be made in the second half of the year.

"The recession this year has deteriorated faster than we expected and there is no sign yet of any recovery in the beer market," he said.

Turnover rose by 9.4 per cent to £58.1m (£53.1m) while trading profit expanded from £9.42m to £9.89m. Overall beer volumes were just under 7 per cent down, only slightly ahead of the beer market as a whole.

Sales of Pedigree, the premium ale brand, through Whitbread continued a "disappointing" decline and volumes also dropped in other free trade outlets and tenanted pubs.

Mr Hurdle said the company's 151 managed pubs had performed "exceptionally well" to push profits 60 per cent higher. Profit from the 17 Tavern Tables catering houses more than doubled.

Earnings fell to 5.27p (7.22p) but the interim dividend is raised to 1.34p (1.26p).

Caffyns declines to £297,000

By Peggy Hollinger

CAFFYNS, the Sussex-based motor distributor, maintained its interim dividend despite a fall in pre-tax profits from £607,000 to £297,000 and a warning on the outlook for the second half.

The group narrowly avoided falling to the break-even point with exceptional gains of £295,000 on the sale of properties. Turnover fell from £70.2m to £68.8m.

Mr Alan Caffyn, chairman, said the environment had been exceptionally tough. "The half year . . . provided the most difficult trading conditions that I can remember," he said. "Furthermore, I do not see much chance of any major improvement in the second half."

The group closed two loss-making branches, which had been a "significant" drain on profits, said Mr Robert Caffyn, joint managing director. The Rover franchises had performed well and the new 800 series was drawing considerable interest, he added.

"We thought this result was quite good, bearing in mind the problems of the retail motor trade," he said. New car sales have fallen by some 25 per cent in the UK, hitting motor dealers' profits around the country.

Earnings per share fell from 14.8p to 5.5p. The chairman said the board had taken "the long-term view" on the dividend and maintained the payment at 5p.

Sir Ron Brierley's IEP Securities holds a 29.9 per cent stake in the group.

Apollo raises dividend despite 15% setback

By Kenneth Gooding, Mining Correspondent

APOLLO METALS, the aluminium processing and distribution company, is to lift its annual dividend by 15 per cent to 3.45p despite a 15 per cent fall in annual profits and the fact that present trading conditions, in the words of Mr Derek Webb, managing director, remain "bloody tough."

He said there was no end in sight to the difficult conditions created by the UK recession and many customers were unable to do any forward planning.

Pre-tax profits for the year to end-September fell from £2.4m to £2.03m as margins were squeezed by price cutting and destocking by competitors. In 1990 there was an exceptional credit of £128,000.

Apollo's determination not to chase "business at any price" resulted in turnover showing only a marginal increase, from £26.9m to £27m.

Fully diluted earnings per share fell from 12p to 10.3p.

Capital expenditure reached £1.07m but gearing at the year-end dropped from 11 per cent to 7 per cent. Net assets rose from £6.5m to £7.36m.

Apollo has also gained a toe-hold on the Continent by setting up a small sales office in Paris. It is considering a more substantial move in Frankfurt, according to Mr Webb.

Investor lifts Rosehaugh stake

Mr Ronnie Jarvis, a private investor, has increased his stake in Rosehaugh, the troubled property company, from 8 per cent to 10.5 per cent. The stake, bought by his company Ravensale and associates, was formerly held by Barings.

Mr Jarvis is a personal friend of Mr Godfrey Bradman, chairman of Rosehaugh, who is likely to leave his company once its future is decided. The company is conducting drawn-out merger talks with Stanhope, its partner on the Broadgate development in the City.

A month ago, Rosehaugh sold Rosehaugh Copartnership Developments, a portfolio of trading properties, to Ravensale.

Rosehaugh's results, which are likely to show heavy losses, are expected to be published by December 6.

BICC link with Japanese

By Andrew Baxter

BICC, the international cables and construction group, will today announce the creation of its first significant business tie-up with the Japanese, to exploit the emerging market for optical fibre earth conductors used in the power utility industry.

Phillips Cables, BICC's Canadian subsidiary, and Furukawa Electric of Japan have been awarded the world's largest order for the conductor, which incorporates fibre optics in a traditional earth conductor and is installed on high voltage power transmission lines.

The C$27m (£13.4m) contract from Hydro-Quebec, the Canadian electricity utility, will result in a new joint venture company, Phillips-Fitel, which will be 60 per cent owned by BICC and 40 per cent by Furukawa.

The contract is spread over two years, but agreement in principle has also been reached to extend supply over a five-year period, which could bring the total contract value to more than C$70m.

BICC is the biggest manufacturer of optical fibre outside the US, but recognised that it needed a technology partner to win the Canadian contract from some ten rival companies. Furukawa has greater know-how in optical fibre earth conductors.

Manufacturing for the joint venture will be at a Phillips Cables plant in Rimouski, Quebec. Phillips-Fitel will invest more than C$10m on manufacturing and test equipment for the plant.

PolyGram expands its film interests

By Michael Skapinker

POLYGRAM is to invest £7m in the Palace Productions film organisation in a deal which could result in it acquiring a controlling stake.

The music company, 80 per cent-owned by Philips of the Netherlands, last September took majority control of Propaganda Films, which made Truth or Dare – In Bed with Madonna, and of Working Title, makers of My Beautiful Launderette.

The new agreement will result in PolyGram acquiring Palace Productions' worldwide film catalogue.

It will also take over Palace Video, which owns UK cinema, video rental and sales rights to films made by Palace and other companies. The films include Kiss of the Spider Woman, Letter to Brezhnev and When Harry Met Sally.

PolyGram has undertaken to help fund future Palace Production films for the next three to five years. In return, it will have first option to acquire rights on future Palace films and will receive a share of profits.

It will also have an option to acquire a stake in Palace Productions at the end of the funding period. The companies provided no details of the size of stake PolyGram could acquire, but a controlling share is thought to be envisaged.

Pentland to dispose of Reebok holding

Pentland Group, the British sports shoe company, has amended its filing with the US Securities and Exchange Commission to record its intention to sell its remaining 13 per cent shareholding in Reebok International, its US competitor.

Pentland has asked Reebok to prepare a shelf registration statement for filing with the SEC to enable the sale to go ahead. The statement will be open for six months or until the shares, worth about $320m (£180m), are sold.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ABI Leisure	fin	3.13	Jan 31	3.1	4.7	3.1
Apollo Metals §	fin	2.3	Jan 22	2	3.45	3
Caffyns	int	5	Jan 15	5	-	11.5
Capital Radio	fin	3.5	Jan 17	3.5	5.25	5.25
Dunedin World	fin	7.1	Jan 22	6.6	9.5	9
Hambros	int	4.2	Jan 13	4	-	12.8
Kwik Save	fin	10.4	Jan 14	8.4	14.7	12.1
London Electric	int	5	Mar 24	-	-	10.45
Marston Thompson	int	1.34	Jan 21	1.26	-	4.46
Mid Kent Hldgs	int	4.5	Jan 13	-	-	4.5
Moran	fin	1	-	1	1	1
Nort'brian Water	int	6.8†	Mar 2	6.2	-	18.6
North West Water	int	6.54	Feb 17	6	-	18
Tate & Lyle	fin	7.5	Feb 11	6.7	11.2	10
Unigate	int	5.7	Jan 8	5.7	-	15.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

UK COMPANY NEWS

Kwik Save climbs 19% with help of acquisitions

By Peggy Hollinger

KWIK SAVE, the UK's leading discount food retailer, yesterday unveiled record pre-tax profits of £101.7m – a rise of 19 per cent – helped by an ambitious expansion programme.

Mr Graeme Seabrook, managing director and chief executive, was bullish about the group's prospects and shrugged off questions over attempts by other food retailers, such as Aldi of Germany and Gateway, to enter the discount market. "Any fool can sell cheap groceries, the question is, can they do it at a profit?"

He added that competition in the discount market would eventually benefit Kwik Save. "Any new entrant will draw attention to the discount area, which will be an advantage to us," he said.

Referring to the announcement that Asda, Tesco and Safeway would open for the four Sundays before Christmas, Mr Seabrook said: "We will not follow them unless it becomes apparent that our customers are demanding it." He added that customers would face higher prices in supermarkets if seven-day trading became the norm.

An aggressive acquisition programme helped boost sales from £1.5bn to £1.9bn for the 53 weeks to August 31, Mr Seabrook said. The extra week was

Graeme Seabrook: benefit from competition

estimated to have added 1.9 per cent to sales growth. On a like for like basis, sales were up 17 per cent.

During the year, Kwik Save bought 48 stores for £33m and opened a further 42, which were financed through cash flow. It now has a total of 750 stores, compared with 661 last year, and plans to open at least 50 more this year. "We have more stores than anyone with the exception of Argyll," Mr Seabrook said. Capital expenditure was more than doubled at £124m (£61.1m).

Mr Seabrook said the group enjoyed some 7.8 per cent of the UK grocery market – up by one-fifth from the previous year.

In June, the group also increased its share of the off-licence market with the £3.5m purchase of the Liquorsave alcohol and cigarette concessions run in its stores. The acquisition had depressed overall gross margins as these products offer lower returns than the grocery market.

The group, which once heavily relied on staff memory for pricing, had now fully converted to electronic scanning, said Mr Seabrook. This allowed stores to offer more product ranges and provided an efficient supply of stock to sites.

Overheads as a percentage of sales had been cut and were falling further.

Interest income fell by £1.7m to £3.2m. The group's bank balance was £2.2m in surplus.

The drop in corporation tax charges helped earnings per share rise 22 per cent to 44.26p (36.25p).

The final dividend is 10.4p, making a total distribution of 14.7p (12.1p).

See Lex

Shrunken giant battles for a better story end

David Barchard looks at the remains of Polly Peck, 13 months after its collapse

FROM OFFICES in Commercial Road, on the edge of the City of London, a group of 28 people, most of them accountants, meet each day to run a company which two years ago was one of the stars of the stock market.

Polly Peck International has shrunk in the 13 months since it went into administration from a global corporation to a group of companies managed by a tiny staff in London. Only two directors, Mr Reginald Mogg, the finance director who took over in August 1990, and Mr Peter Compson, remain in London.

Mr Compson is due to leave next month and there is speculation that Coopers & Lybrand Deloitte, the accountants, will eventually shut down the London operation altogether.

Polly Peck moved out of its glamorous premises at 42 Berkeley Square in July. Earlier in the year, an auctioneer's sale had stripped it of its collection of antiques and art works, ranging from a Turner painting to Chippendale chairs. The sale fetched £3.5m.

Around the corner from 42 Berkeley Square, Mr Asil Nadir, the group's chairman and former chief executive, still lives.

He has not been involved in the day to day work of the company for almost a year, soon after Polly Peck went into administration with debts of £1.13bn to 23,000 creditors, which include more than 60 banks.

Mr Nadir was declared bankrupt on Monday this week with personal debts totalling more than £90m. Friends and family say that he is still cheerful and determined to battle on. "He is never depressed. He is always cheerful. He is amazing. He inspires all of us," says a relative.

Throughout this year, Mr Nadir has worked with a tiny staff out of the Mayfair headquarters of South Audley Management, the property management company which handled his family interests and was at the centre of the share dealing allegations in the press which preceded Polly Peck's collapse last year.

The bankruptcy decision means that Mr Nadir will have to give up his remaining directorships in the UK.

Meanwhile he is fighting three massive court cases. The main one is a prosecution by the Serious Fraud Office on 72 theft charges and four of false accounting, involving £155m of company funds.

Mr Nadir is remanded on bail of £3.5m and has appeared nine times in court since his arrest on December 15 last year.

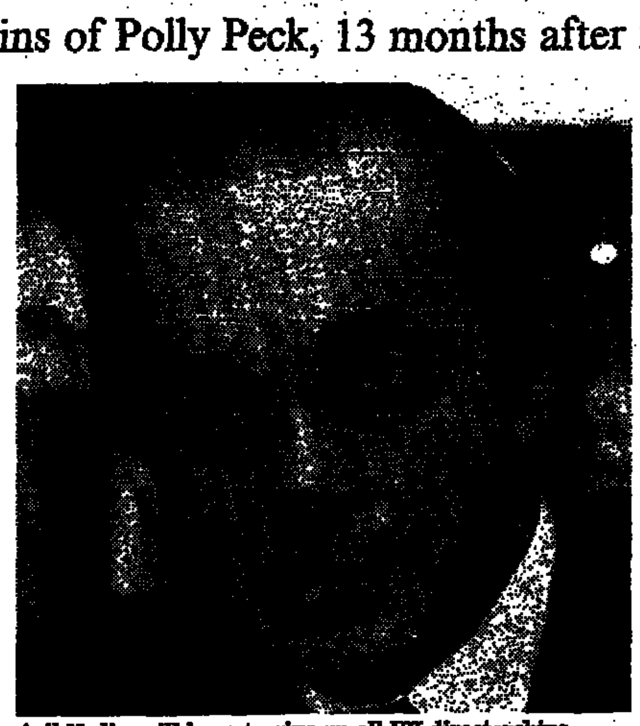
He is also facing contempt proceedings in the High Court brought by a group of his creditors. They are seeking his imprisonment for allegedly breaking the terms of an agreement with them in December last year by selling a bank in Turkey without permission.

Finally, there are civil proceedings for the recovery of £378m of Polly Peck funds allegedly improperly transferred into accounts belonging to Mr Nadir.

The action has been brought by Mr Christopher Morris of Touche Ross, one of the administrators, and may eventually lead to a further prosecution. There are six other defendants in this case, including Mr Nadir's mother, Safiye Nadir, who lives in Cyprus.

Mr Nadir strenuously denies all the charges against him.

Meanwhile relatively little remains of the group. So far disposals have raised about £30m. They include its textiles business, Santana and Joseph Le Shark, Russell Hobb Tower, the loss-making UK electrical appliances group which has been sold to Pifco for £6.7m, and several of the Polly Peck fruit distribution companies in Europe.



Asil Nadir: will have to give up all UK directorships

Polly Peck's strong asset, PPI Del Monte Fresh Fruit, bought in the summer of 1989, will be floated on the New York stock market next spring. More than 50 per cent will be sold and perhaps as much as $700m (£395m) will be raised for the group's creditors.

Last year PPI Del Monte made a pre-tax profit of $80m on sales of $799m and it appears to have fared well this year.

Other smaller businesses in the US have been sold off or will be closed down, the administrators say.

Elsewhere the picture is bleaker. The two principal surviving businesses are Sansui, the Japanese consumer electronics group, and Vestel, a Turkish electronics company.

Sansui expects to report a Y18.6bn (£80.2m) loss in the first half of the year, following a decision to take provisions on part of the Y67.8bn in loans extended to Capetronic, the Taiwanese subsidiary it acquired when bought by Polly Peck.

It is in the process of being sold to Grande Holdings of Hong Kong who have put up working capital to keep the company alive. It will purchase 32 per cent of Sansui, reducing Polly Peck's stake to 40 per cent and has an option to buy an additional 19 per cent at Y250 per share later.

Vestel is also performing poorly. It has been dogged in the local press by unfavourable reports about its Turkish directors and its share price in Istanbul is bumping along the bottom at around TL1,500, far below its flotation price of TL13,500 in June 1990.

Polly Peck's other food businesses in Turkey and Cyprus are still essentially a closed book.

The administrators have had no real access to the Cyprus business and only limited access to Meyna, the fruit and vegetable export business which was once supposed by stockbroker analysts in London to contribute nearly half of Polly Peck's 1989 pre-tax profits of £160.8m.

No funds or assets have yet been recovered from northern Cyprus, though this week there were unconfirmed reports on the island that President Rauf Denktaş had finally decided to open up all Polly Peck's operations there to the administrators.

The same is true of the Cypriot hotel businesses on which more than £200m seems to have been spent in the months before the collapse. The Antalya Voyager Sheraton, opened in September 1990, had an extraordinarily difficult year but is now reporting occupancy rates of around 60 per cent.

The water-bottling plant at Niksar is said by the administration to be still operating but seems to be too small to contribute significantly to the group's overall financial picture.

Confronted by this picture of shreds and remnants, former employees of Polly Peck in London rub their eyes and wonder. "I ask myself if it was all just a dream," one said recently.

NEWS DIGEST

ABI falls by two thirds to £2m

ABI LEISURE Group, the caravan manufacturer, saw its pre-tax profit slide from £5.92m to £2.07m in the year ended August 31 1991, after an exceptional charge of £231,000.

But Mr George Shiels, chairman, described the outcome as "commendable" in the current economic situation.

The group had been heavily involved in reducing cost levels and was now seeing benefits from that programme.

Turnover fell to £52.3m (£64m). Exacerbated by fierce pressure on margins through widespread discounting, that led to a 46 per cent drop in operating profit. Interest costs rose to £1.26m (£711,000).

Mr Shiels explained that the requirement to discharge two years' tax liabilities during 1990-91 negated to some extent a reduction in stock of £1.9m and debtors of £2m.

Earnings per share came to 5.7p (15p). The final dividend is 3.13p for a total of 4.7p (3.1p).

Ifico £0.5m in loss and makes disposals

Ifico, the insurance broking group, which requested the suspension of trading in its shares on Tuesday, yesterday announced a pre-tax loss of £503,000 for the year to June 30. In the previous year there were profits of £493,000.

Mr Jacques Delacave, chairman, said the year had been a difficult one with insurance brokers suffering as a result of fierce competition and continued pressure on premium rates.

FMW, the insurance broking subsidiary, had continued to be profitable, he said, although its pre-tax profits fell to £405,000 against £445,000.

MBIA, the mechanical breakdown insurance subsidiary, incurred a £371,000 loss (near break-even prior to its acquisition). Both subsidiaries are being disposed of and Mr Delacave said that although their sale would result in a substantial loss – for which full provision had been made in the accounts – the cash position would improve materially and consolidated net assets rise from £1.44m to £3.42m.

Turnover more than doubled to £4.73m (£1.91m). There was a tax credit of £13,000 (£204,000 charge) and losses per share amounted to 1.94p (1.14p earnings).

There were extraordinary charges of £55,000 (£2.74m).

Mid Kent rises 15% to £4.21m

Mid Kent Holdings revealed a 15 per cent increase, from £3.66m to £4.21m, in pre-tax profits for the six months to September 30. Turnover rose 14 per cent from £12.8m to £14.6m.

Mr Jeremy Leigh Pemberton, chairman, pointed out that the growth was largely due to income in Mid Kent Water rising in line with the permitted price increase, but offset by a drop in the industrial metered consumption and the fall in connections for new housing.

Earnings were 21 per cent higher at 19.1p (15.8p) per share. Directors said, however, that they were mindful of the demands for capital expenditure and believed that an interim dividend of 4.5p supported the objective to maintain a strong balance sheet.

Dunedin Worldwide asset value growth

Over the six months to October 31 net asset value of Dunedin Worldwide Investment Trust rose from 568.7p to 595.3p.

At October 31 1990 it stood at 469.1p.

Substantial funds were switched from fixed interest securities and from cash into equities over the year to end-October 1991. The distribution showed Japan accounted for 30 (23.3) per cent of the portfolio and North America 25.2 (21.6) per cent, while Europe declined to 20 (25.8) per cent and the UK to 17 (21.1) per cent. The balance was invested in Far East markets outside Japan.

Long term borrowings increased by £10m.

Net revenue was £3.46m (£3.84m) and earnings per share dropped to 10.17p (11.31p). The final dividend is 7.1p for a total of 9.5p (9p).

Chemex cash call as loss rises to £0.79m

Chemex International, the USM-quoted technical services group, announced increased pre-tax losses of £786,828 for the year to September 30 after exceptional costs of £224,760. The loss last time was £716,455.

The company also announced a 3-for-1 rights issue of 59.9m new ordinary 1p shares to raise about £524,000. The proceeds will be used to eliminate borrowings and raise working capital.

The nominal value of the ordinary shares exceeds the rights shares hence the company proposes to create a new class of ordinary shares of 1p each and to subdivide each issued share into one new 1p ordinary and one deferred share of 4p.

Turnover doubled to £779,195 (£388,291). Losses per share were 4p (8.4p).

Macarthy pays ex-chief damages

Mr Nicholas Ward, who since April has been managing director of the Brent Walker leisure group, has gained £430,000 in damages, plus costs, from one of his former employers.

Mr Ward sued Macarthy, the retailer and drugs manufacturer, over the termination of his contract in July 1989. He had been chairman and chief executive and claimed £689,080 plus interest and costs in his High Court action.

Macarthy announced yesterday that it had reached an agreement with Mr Ward. As interim payments had already been made, it said the outstanding amount came to £250,000, which it would take as an exceptional charge in its 1990-91 accounts.

Optometrics declines 43% to $77,000

Optometrics, the USM-quoted optical systems specialist based in Massachusetts, suffered a 43 per cent pre-tax profits fall to $77,000 (£43,500) for the half year to end-September.

Profits last time were $134,000, while there was a $136,000 loss for the full-year to March 31. Sales fell from $1.85m to $1.59m. Earnings per share dropped to 0.6 cents (1 cent) and there is no interim dividend.

Mr Frank Denton, chairman, said the UK subsidiary had returned to profit. He also announced the acquisition of OMT Optics, based in Fakenham, Norfolk. The vendor was Elliott Industries.

Drayton Cons Trust cuts dividend by 3p

Drayton Consolidated Trust is switching the emphasis of its portfolio into quoted UK stocks and cutting its final dividend following a "turbulent" year for venture capital markets.

Managers of the trust said that total assets less current liabilities for the 12 months to end-September fell to £162m (£187m) – equivalent to 422.4p (540.6p) per share – reflecting reduced values of holdings in unquoted companies, many of which were forced to call in receivers.

Net revenue dipped to £5.32m (£5.66m), leaving earnings of 15.36p (16.35p) per share. The proposed final dividend is cut by 3p to 9.75p making 14p (17p) for the year.

Moran advances 72% to £386,000

Moran Holdings, the tea estate, property development and freight forwarding company, lifted pre-tax profits by 72 per cent, from £224,772 to £386,292, in the year to June 30.

Despite a crop reduction because of bad weather, tea estates had another good year, said Mr Colin Gordon-Smith, chairman. Improved prices had been obtained and a maintained export performance had brought tax benefits.

The travel and freight division also showed improved profits in spite of the Gulf war.

Group turnover rose by 18 per cent to £38.7m (£32.9m) and the pre-tax result was struck after net interest payable of £442,206 (£381,218).

Losses per share were reduced from 8.63p to 0.39p and an unchanged 1p dividend is recommended for the year.

Unitech completes $29m refinancing

Unitech, the electronics group, has completed a debt refinancing package through the issue of $29m (£16.3m) of 7-year dollar notes.

The notes carry a coupon of 9.12 per cent and have been issued to a number of US-based insurance companies. Proceeds will be used to repay bank debt.

The package will further diversify Unitech's sources of finance and lengthen the average maturity of its debt.

Ultramar arm finds additional reserves

Ultramar, the diversified oil and gas group facing a hostile bid by rival oil group Lasmo confirmed that its wholly owned subsidiary had participated in the discovery of additional oil reserves in the North Sea.

The discovery well, which was drilled from the Maureen production platform in the UK sector of the North Sea, produced up to 12,600 barrels of oil per day.

The discovery of additional reserves meant that production could begin almost immediately since no additional infrastructure was required.

The subsidiary, Ultramar Exploration, has an 8.5 per cent stake in the Maureen block.

The group also announced that development drilling has been commenced on the Markham gas field, the company's first offshore operated development. Gas from the field will come on stream in the fourth quarter of next year.

Proposed changes to FT-SE 100 index

THE FT-SE 100 Steering Committee is considering two small changes to the operation of the index. Mr Peter Jones, chairman, would be grateful for any comments, to be sent to the address below before December 5 1991.

The first issue is the treatment of constituents with multiple lines of stock. At present, the capitalisation of constituents with multiple equity lines is calculated using the equivalent shares in issue of all quoted lines but only using the share price of the most marketable line. This can result in an over- or under-valuation of a constituent where the secondary line has a different value to the primary line. Recent examples include SmithKline Beecham, RTZ, Great Universal Stores, Trafalgar House and Whitbread.

Proposed solution:

- Significant and liquid secondary lines are to be priced separately.
- 100 companies (together with their qualifying secondary lines) are to be included in the FT-SE 100.
- A secondary line is to be priced separately if: it has a free float of at least 25 per cent; it is greater than 20 per cent of the company's aggregate market capitalisation; and there has been no more than 15 business days without any trading in the securities in each of two successive quarters.
- Where a secondary line does not qualify to be priced separately, the weighting of the primary line should be adjusted to reflect the true capitalisation of the company.

The second issue is the timing of the committee's quarterly review of FT-SE 100 constituents. Here the present practice is that the review is held during the penultimate weeks of March, June and September and the second week of December. Constituent changes are then implemented on the first business day of the following month. FT-SE 100 futures and traded options currently expire on the last business day of the month on the same quarterly cycle.

However, from June 1992 onwards, the time of the contracts' expiry will change to the third Friday of the expiry month, causing a potential anomaly.

The proposed solution is that from June 1992, quarterly changes would be agreed and announced in the second week of the expiry month, and implemented on the Monday after the futures and options quarterly expiry.

Comments on these points from interested parties will be gratefully received by Mark Makepeace, Secretary, FT-SE 100 Steering Committee, London Stock Exchange, London EC2N 1HP. Fax number 071-410-6830.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- AAH, Anglo American Corp, Borthwicks, Brockhampton, Brown & Tawse, Caledonia Invs, Castings, Compco, Drayton Blue Chip Tst, GEI Intl, Grampian Television, Johnson Matthey, Macdonald Martin Distillers, Osborne & Little, South West Water, Tomorrows Leisure, Welpac, Welsh Water.
Finals- GT Asia (Sterling) Fund, MEPC, Royal Bank Of Scotland, Scottish Inv Tst.

FUTURE DATES

Interims-	
New London	Dec. 5
Plysu	Dec. 11
South Western Elect	Dec. 12
Stewart & Wight	Dec. 11
Triplex Lloyd	Dec. 10
Finals-	
Avon Rubber	Dec. 4
Grainger Tst	Dec. 12
Grand Metropolitan	Dec. 5
Lloyds Abbey Life	Feb. 18
Midlands Radio	Dec. 5

MANAGEMENT: Marketing and Advertising

Educating Sharon

Martin Dickson explains how a 26-year-old whiz-kid has become a phenomenon in the personal computer industry

It's Sharon on the line, phoning in from somewhere in Georgia, and has she got an annoying little problem: she's been trying to load this new software on her Dell computer but the darned machine just keeps telling her it can't "read the hard drive".

At Dell Computer's headquarters in the suburbs of Austin, Texas, Ray Shelton, a young technician with an easy smile and reassuring voice, dons a telephone headset and flicks a switch to take Sharon's toll-free call on the company's problem hot-line.

At Ray's side is a screen which he can use to call up information on every computer Dell has ever sold – a database containing more than 750,000 names and addresses.

All he needs is to tap in Sharon's system ID number and he can find out what model she is using, with what special features, and what its service history has been.

It is useful when you are trying to talk a customer through a difficulty. It's also rather handy for Dell's telephone salesmen when marketing new products.

Welcome to what Dell calls "direct relationship marketing" – a formula which has made the company one of the fastest-growing businesses in the US and a phenomenon in the personal computer industry, where it has become one of the key players in a vicious price war – yet so far this year still kept profits rising sharply.

Headed by the eponymous Michael Dell, a 26-year-old wunderkind who began the business in his college room, the company has grown from nothing in 1984 to a turnover this year of around \$800m (£450m).

Dell assembles PCs at plants in Texas and Ireland and sells the products direct to customers, avoiding retail outlets with their high mark-ups. This has allowed it to undercut the larger companies.

Competition from clone-manufacturers like Dell and AST, another US rival, has eaten into the market share of industry leaders like IBM and Compaq and forced them to slash prices.

Dell's achievement is due in large measure to the "commoditisation" of the PC market: over the past five years personal computers have become so standardised in their technology and so reliable in performance that customers have grown reluctant to pay the kind of premium prices demanded by the IBMs and Compaqs, and prepared to order machines from companies like Dell over the telephone, without first trying them out.

However, Dell is much more than a simple cut-price "mail order" firm – for it tries to forge a close, direct relationship with its customers and offers them some of the best back-up services in the industry, all of which are designed to build brand loyalty.

This relationship is based mainly on the telephone. And this constant talking to customers gives Dell another edge – fast feedback on buyers' likes and dislikes. This allows it to respond extremely quickly to changing market demands, and keep product inventory low.

Dell Computer founder, Michael Dell: one of the key players in a vicious price war

Dell's PC sales method, he adds, reflects the way much larger mini computers have long been sold, "but by more efficient means – instead of going round in Cadillacs, wafting people out to lunch, we have six-minute phone calls which include all the necessaries".

That is true up to a point. Yet Dell has also had to establish account executives in major US cities to handle its biggest corporate customers, and at the other end of the market it has begun to sell machines through computer "superstores" – cut-price supermarkets springing up across North America which allow manufacturers extremely thin profit margins.

Dell's success stems ultimately from Michael Dell's unusual combination of talents: an self-confessed passion for, and understanding of, technical "gismos"; and a precocious entrepreneurial drive, demonstrated at the age of 12 when he earned \$2,000 from organising a stamp auction and at high school when he became a top Houston newspaper subscription salesman, earning \$18,000 by the age of 17.

It was in 1983, while a first-year student in the University of Texas at Austin, that he spotted the potential for selling computers directly to the end-user.

Dell, a quietly-spoken man with the air of someone older than 26, says he realised that while the normal retail distribution channels enjoyed high mark-ups they were not very efficient. People selling the machines did not know much about them – "they came from selling shoes, or cars or stereos or something" – and might take several days to fill an order for a specific model.

Dell began by selling mainly to computer enthusiasts who were prepared to tinker with machines themselves and came to realise that corporate customers would not bite in large numbers unless he added back-up services – crucially on-site PC repairs, which began in 1987.

Around 55 per cent of Dell's US sales of \$500m now go to Fortune 1000 companies and government departments, about 12 per cent to so-called Value Added Resellers - middle men who customise products for a client's special needs - and the remainder to medium and small businesses. It is selling around \$300m of products a year internationally, mostly in Europe, where it recently set up manufacturing plant in low-tax Ireland. It has been particularly successful in Britain, its bridgehead on to continental Europe, and is now enjoying fast growth in France.

Harris says Dell launched into the UK with some trepidation. Cassandras had warned that "people there just wouldnt spend \$5,000 to \$10,000 on a product over the phone, sight unseen . . . but within two weeks of launch a guy walked into the office with £18,000 cash in his hands to buy computers."

But cut-price direct marketing will not get you that far unless you are selling quality goods, and Dell has developed a useful reputation for inexpensive, well-designed computers. The quality of its service is another selling point.

The company's manufacturing line has the flexibility to customise orders to buyers' specific needs and Dell is now even starting to load software on the production line. Most PCs are shipped in five or less days from the date of order.

Dell was the first PC manufacturer to offer a toll-free hot-line for technical problems; guaranteed next day on-site service for its products (at no cost during the first year) through an outside contractor; and replacement machines by overnight delivery. It also runs a service which lets customers, using an automatic telephone system, get instant faxed copies of pages of Dell's technical computer manuals.

The company has given its telephone technicians the power to replace machines on their own initiative, without referring to more senior management. For small business customers, unable to rely on quick repairs by in-house computer experts, these can be life-saving services.

To maintain the quality of its service, Dell holds weekly "customer care" meetings, where it analyses problems which customers have encountered over the previous seven days and those that still need fixing.

Dell's sales are concentrated mainly at the less expensive end of the PC market, but it is now targetting the upper bracket. It is also starting to offer companies a service to network their PCs together.

Networking, says Joel Kocher, who is responsible for US sales, is another area of computing which is about to become "commoditised" – although sceptics question whether this is true in such a notoriously fiddly area, and what Dell can bring to the party.

Dell's progress has not been trouble-free. Two years ago its profits fell sharply after it got caught with too many high-priced memory chips and ploughed large amounts of money into an extremely ambitious but abortive attempt to build an engineering workstation.

And it faces some formidable future threats. Its marketing formula is easily replicable, barriers to entry are low, and other companies are already trying to do to Dell what it has done to IBM and Compaq. Digital Equipment, the second largest computer company in the US, recently announced it would sell PCs over the phone, and Compaq is seriously considering the mail-order route. And these giants have one big advantage over the upstarts in the prolonged price war which is squeezing everyone's margins – much deeper pockets.

To maintain and expand its position, Dell will have to keep up a flow of quality new products and keep innovating in its marketing methods and back-ups services, clearly identifying itself as unique creator of competitively-priced added value.

Michael Dell is well aware of this. He says the company has succeeded so far because of its flexibility and lack of preconceived ideas, and he adds: "the failure of all great creative companies is that they stop being creative."

How can he guard against that? "We have to question everything we do, and don't assume that because something worked last year, it will work this year. We have to recreate the business all the time."

Robert Louis-Dreyfus (left) and Jack Trout

What price a sharper image?

By Gary Mead

Who would spend £300 to sit for several hours in a large hall listening to speakers tell them things they should already know and practise?

Some 500 people attended the UK's Marketing Society annual conference in London last week, where they heard some of the great and the good consider the conference's theme, "Seven ways to sharpen your competitive edge". The lights dimmed as a massive screen carried images of famous sporting events and personalities, each showing their own particular "edge", accompanied by a sub-Chariots of Fire musical theme. There could have hardly been a more clichéd opening to a conference.

Never mind; at least the conference booklet was promising. "How will it be for you in 1992 and beyond, with yet more, even tougher competitors to fight off?" it asked. But anyone who turned up hoping for enlightenment would have left sadly disappointed.

Among the speakers, Jack Trout, a much-published US marketing analyst proudly announced that, when it comes to selling a product, "truth has no real bearing on the issue". Robert Louis-Dreyfus, the chief executive of Saatchi & Saatchi, praised the meteoric rise and glossed over the fall of his unhappy company, spicing his presentation with some of his favourite television ads.

After lunch, Sir Allen Sheppard, chairman of Grand Metropolitan, proudly noted his group's successes: "We expect people to achieve the impossible. We call this 'anti-gravitational management'. We set targets at the very edge of credibility – 'Magic Numbers'." He did, however, acknowledge that Häagen-Dazs' recent semi-naked ice-cream ads "are a little too sensual for my own taste". Robin Whitbread, marketing director of Sainsbury, emphasised the virtues of "quality, innovation, integrity, openness".

By the end of the day, the "need for a level playing field", the importance of being "first with that new product", the value of "learning from our mistakes", and having "a long-term view" had repeatedly been impressed upon the audience. But what had been learned? First; treat with scepticism the blurb on conference booklets. Second; marketing people, generally, are like the rest of us – happiest when trumpeting success stories. No one said "go out and learn languages"; the European dimension was an absent guest.

Hardly the best way to prepare for a single European market, it may be thought. But far be it from me to prick the balloon.

BUSINESS LAW

The limits of price competition

By Mark Friend and Derek Ridyard

One of the difficulties facing advisers in the antitrust field is that they sometimes have to give unpalatable advice to clients.

This is particularly so where the client is an company which has a dominant position in the market. Under EC competition rules, dominance refers to a degree of market power which allows a company to operate without taking into account the activities of its competitors and customers.

Dominance is usually indicated by high market share – typically 40 per cent or more – although other factors, such as barriers to entry, are also relevant.

If it is relatively easy for new competitors to enter the market, the opportunity to act independently of competitors and customers will be correspondingly reduced. Uncompetitive pricing will tend to attract new entry.

There is no rule against dominance in EC competition law, but the *abuse* of a dominant position is prohibited by Article 86 of the Treaty of Rome and may lead to fines and actions for damages in national courts.

Dominant undertakings are subject to a stricter regulatory regime under the EC competition rules than their smaller competitors. Forms of commercial behaviour which may be acceptable when practised by a non-dominant company will be regarded as an abuse under Article 86 when engaged in by a dominant firm.

An example of this is predatory pricing – pricing at levels below cost in order to discipline or eliminate a competitor. EC competition law does not prevent a non-dominant undertaking selling at a loss. However, such a pricing policy pursued by a dominant undertaking may infringe Article 86.

The problem in predatory pricing cases is to determine the dividing line between unlawful predatory action and legitimate competitive response. Too lenient an approach would make it easy for dominant firms to eliminate competition. Too interventionist a stance could lead to the perverse situation in which competition policy is used to deter exactly the kind of vigorous rivalry between firms which it exists to promote.

Take the position of an established manufacturer of widgets with a market share of, say, 70 per cent which suddenly finds itself faced with cut-price competition from a new entrant. In the absence of exceptional factors, a market share of 70 per cent would give rise to a presumption of dominance. How should the dominant producer react? Can it be expected to sit back and watch the erosion of its market share? How far can it go in reducing its prices to meet the competitive threat?

One solution is that pricing at or above average variable cost should be presumed to be unlawful.

Although attractively simple, this price-cost rule creates problems. A system of antitrust regulation which relied on it as a standard would be open to strategic manipulation by the dominant company (for example, deliberate decisions to over-invest so as to minimise variable cost), leading to potentially unfair results.

The point at which prices will be considered predatory was the central issue considered by the European Court of Justice in the Akzo case[1].

In 1979, a small UK company called ECS found itself the victim of an allegedly predatory campaign on the part of the chemicals giant Akzo apparently designed to force it out of business when ECS started to encroach on Akzo's customer base.

ECS was a small independent producer of benzoyl peroxide, an organic peroxide used as a catalyst in the manufacture of plastics and as a bleaching agent for the treatment of flour. Having started in business in the flour additives sector, ECS sought to expand into plastics in the UK and Germany in competition with Akzo, the market leader, selling at prices 15 to 20 per cent below Akzo's.

In the late 1970s and early 1980s, Akzo's share of the European market for the organic peroxides was about 50 per cent, compared to 1 per cent for ECS. In the UK market for bleaching agents, Akzo was alleged to have begun threatening ECS that unless it withdrew from the plastics market, Akzo would retaliate with overall price reductions and selective price cuts aimed at ECS's customers – particularly in the flour additives sector.

In December 1979, ECS brought proceedings for breach of Article 86 in the High Court and obtained an injunction preventing Akzo from reducing its selling prices. Akzo subsequently gave an undertaking not to reduce its normal selling prices with the intention of eliminating ECS as a competitor, but was later alleged by ECS to have breached that undertaking.

In December 1982, European Commission officials raided Akzo's premises and in July 1983 the Commission adopted "interim measures" (similar to an interlocutory injunction) prohibiting Akzo from selling below specified prices and discriminating in the prices charged for comparable transactions.

At the same time, the Commission continued to investigate Akzo's activities, culminating in December 1985 in a formal finding of infringement against Akzo and the imposition of fines totalling Ecu10m (£7.14m).

The Commission found that Akzo's 50 per cent share of the market for organic peroxides gave it a dominant position which had been abused in a manner contrary to Article 86. Although Akzo argued strongly that its prices could not be predatory since they were above average variable cost, the Commission rejected the use of *any* cost-based rule as a test for predation. Instead, it based its findings of abuse largely on the evidence of predatory intent on the part of Akzo.

Some of this evidence, for example the theats issued by Akzo and the detailed plans for retaliation, clearly suggest predatory intent. Other aspects of the case against Akzo, such as its desire to maintain market share, and the fact that price cuts were targeted selectively at the areas where Akzo faced competition, are more open to interpretation. Arguably, they signify nothing more than vigorous competition.

The problem for dominant undertaking and their advisers following the Commission's decision in Akzo was that the limits of lawful price competition remained unclear.

To some extent, this deficiency has now been remedied by the European Court's ruling in the Akzo case which places greater emphasis on a *per se* rule. The Commission's 1985 decision was substantially upheld by the Court, although the fine imposed on Akzo was reduced to Ecu7.5m, in part because the Court recognised that this was a relatively undeveloped area of the law.

According to the Court, prices below average variable cost by which a dominant undertaking seeks to eliminate a competitor will be regarded as abusive: the rationale being that the dominant company could have no other motive than predation since each sale involved a deliberate decision to incur a loss.

In addition, the Court held that prices below total cost but above average variable cost will be regarded as abusive when they are part of a campaign aimed at destroying a rival, since they may force an equally efficient but smaller rival out of business.

While the certainty provided by the Court's approach to pricing below average variable cost is to be welcomed, the judgment still leaves a grey area where prices are between variable and total cost.

Although loss-making in the accounting sense, such sales still make a positive net contribution to the dominant company's finances. To deny a dominant undertaking the freedom to respond to a competitor by adopting such a pricing strategy is to prevent what may be the most efficient competitive response.

When a market is thrown into imbalance by a new entrant, the loss-minimising strategy for the dominant firm is to ignore fixed costs and to attempt to earn a margin over those costs which are controllable (that is, those that vary with output).

The Akzo Decision shows that such a response leaves the dominant company open to a charge of abuse under Article 86. On the other hand, a less vigorous reaction will simply make it easier for the new entrant to establish a foothold in the market, and at the same time damaging the commercial interests of the dominant company.

The unpalatable advice to dominant companies faced with this dilemma is that they may have to compete with one hand tied behind their backs and allow the entrant to become an established player in the market if they are to avoid the risk of heavy fines.

[1]Case C-62/86, *Akzo Chemie BV v Commission*, judgment of July 3 1991.

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TECHNOLOGY

Ford puts out a cleaner cat

By John Griffiths

Ford is claiming a world first with a catalytic converter said to be fully effective within a few seconds of the vehicle being started. Conventional "cats" take several minutes to reach operating temperature.

The new system is the product of collaboration between engineers at Ford's research and engineering centre at Dunton, Essex, and experts at Cambridge University's engineering department.

According to Ford, the new cat reduces by 80 per cent the amount of unburned hydrocarbons and carbon monoxide emissions produced during the warm-up period.

A catalytic converter does not attain peak efficiency until it reaches 450 deg C. Ford's method involves heating the catalyst by briefly igniting a measured mixture of fuel and air in an "afterburner" slightly upstream of the catalyst.

Fuel for the afterburner is delivered via the exhaust stream by calibrating the engine to run temporarily with an excess of petrol relative to air. The air is supplied via an electrically-driven pump. The principle is the same as applied to jet aircraft engines.

The system promises to be as effective, and potentially cheaper, than alternatives currently being applied by some makers of large-capacity vehicles, where the warm-up problem is particularly prolonged. Rolls-Royce uses a second, smaller catalyst close to the exhaust manifold to clean up the gases before they arrive at the main catalyst.

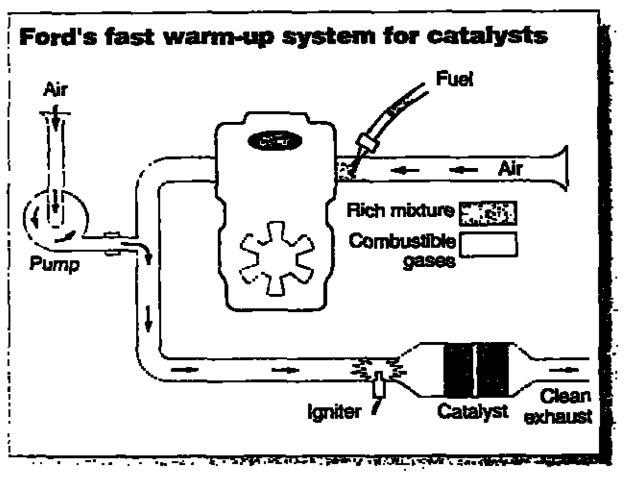
Another approach is to preheat the catalyst electrically. The drawback, however, is the large current required – up to 500 amps in the case of a 12-volt system.

"Since two-thirds of car journeys are less than five miles, the warming-up period of each journey accounts for a significant proportion of overall emissions," according to Tom Ma, Ford's technical specialist who has led the Exhaust Gas Ignition (EGI) project with Cambridge's Nick Collings.

On such a short journey, up to 80 per cent of total emissions could be produced during the conventional catalyst's typical two-minute warming-up period, says Collings. "So with the fast warm-up system, as many as three short journeys can be made and produce less emissions than a similar journey using current technology."

Ford, which claims title to the patent for the system, says it could be available on production cars within the next three years. It is not yet prepared to put a price estimate on it. However, since the temporary fuel mixture enrichment is mainly a matter of programming, the additional equipment involved – air pump, ignitor and minor plumbing – is unlikely to add significantly to overall cost.

Ford's fast warm-up system for catalysts



Andrew Hill reports on the latest round of political wrangling surrounding European HDTV

Frayed at the seams

Turning a sow's ear into a silk purse is always difficult, especially when the seamstresses can't stop arguing about what the finished product should look like. Time is running out for the tailors trying to stitch Brussels' existing strategy on high-definition television (HDTV) on to new proposals which might satisfy Europe's television broadcasters and manufacturers.

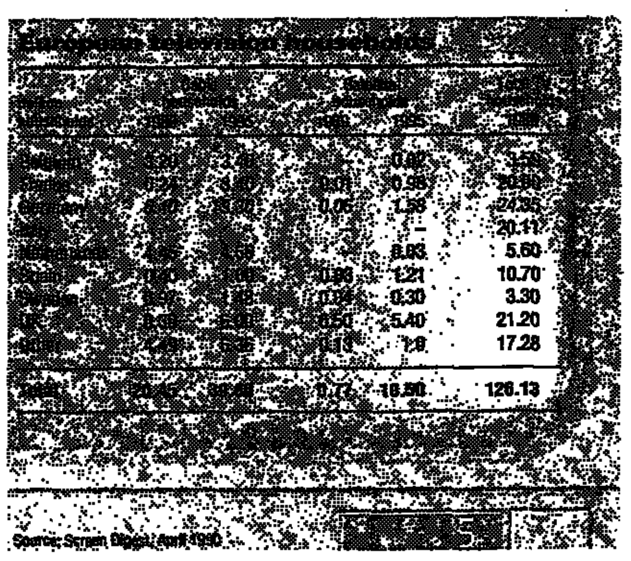
The discredited 1986 directive on satellite broadcasting standards expires at the end of next month. The EC's broadcasters – not slow to spot a commercial opportunity – have already eluded the measure's requirement to broadcast using an intermediate standard, D2-Mac, by transmitting on lower-powered telecommunications satellites. They are likely to push on with alternative strategies and technologies if no replacement directive is approved.

Elsewhere, Japan began eight hours a day of HDTV broadcasts – using its own standard – on Monday, and the US is rapidly developing digital HDTV technology for broadcast by satellite, cable and terrestrial transmission.

But the EC debate is no longer bogged down. Last week in Strasbourg, the European Parliament approved a ragged patchwork of liberalising amendments to the European Commission's replacement HDTV directive. The Dutch presidency of the EC now intends to move the long-awaited meeting of EC telecommunications ministers (sole agenda item: HDTV) from December 5 to a date closer to Christmas. Filippo Maria Pandolfi, the embattled telecommunications commissioner, has indicated that Brussels will accept many of the Parliament's revisions.

Pandolfi's platform for the last six months of strife with member states has been the original draft directive. It would require all new satellite services to broadcast in D2-Mac – which provides pictures of slightly better quality than normal broadcasts – as a step towards the goal of a single, fully-fledged European HDTV standard, HD-Mac.

At the same time, Pandolfi has been straining to drag the industry interest groups closer together. Broadly, most broadcasters want a directive which would not end or stunt the development of existing services, which are broadcast successfully to a growing audience using other satellite norms. Electronics manufacturers,



such as Philips of the Netherlands and Thomson of France, want legislation which will back up their decision to invest heavily in D2-Mac technology.

Pandolfi's solution to this stand-off has been to plead with industry groups to sign a letter of intent and, in due course, a legally-binding memorandum of understanding which, alongside the directive, would promote the broadcast of HDTV programmes and the sale of new wide-screen televisions in a 16:9 format. The commissioner has also proposed incentives of Ecu1bn (£700m) over five years to encourage broadcasters to transmit their current services simultaneously in the existing satellite norms and D2-Mac.

The parliamentary amendments – most of them tabled by the French socialist MEP Gerard Caudron – would make the original proposal less restrictive.

● Digital technology. For the first time, the Commission is ready to broaden its goal of HD-Mac as the only HDTV standard for Europe. That aim had worried those in industry who suspected that digital HDTV technology – with its purer signal and more flexible application – would overtake analogue HD-Mac, sooner rather than later. The Commission seems likely to accept that HD-Mac should be the sole standard for any transmission "not exclusively digital".

However, Brussels is almost certain to reject one last-minute amendment – voted through "accidentally" according to some observers in the Parliament last Wednesday night – which appears to make HD-Mac completely optional. That would allow Japanese HDTV standards to be used in Europe, a relaxing of the original aims which would go further than even the most liberal critics of the measure would want.

● Timing. HDTV is not a static technology. The "loophole" in the existing directive opened up partly because transmission of TV broadcasts via telecommunications satellites was difficult or impossible when the measure was being drafted. The Commission's original expiry date for the new directive was the end of 2001, but the Parliament has proposed shortening the deadline to 1997. This would allow the EC to abandon an unworkable HDTV strategy based on old technologies, if new alternatives emerged.

● The consumer. Consumer organisations complain they have never been formally consulted on the HDTV strategy. The Parliament has tried to meet such complaints by limiting the cost to the consumer of the new proposal, which had been estimated at up to Ecu21bn over 10 years.

Only new wide-screen 16:9 televisions would have to incorporate internal D2-Mac decoders, and then only from January 1994, rather than 1993. Ordinary 4:3 format televisions would still be available after that date, but would have to be manufactured with a socket for a D2-Mac decoder.

● Simulcasting. This is perhaps the most contentious area and the one in which the parliamentary amendments are least clear. Broadcasters are opposed to any element of compulsory simulcasting, which involves broadcasting two signals simultaneously, because they say it would be too costly and impractical.

As drafted, the parliamentary amendments seem to quell some of those fears. They suggest that services beginning after the date of the directive's implementation, and using new satellites, would have to simulcast in D2-Mac and other norms. That steps back from the original draft, which restricted new services to D2-Mac only.

Simultaneous D2-Mac transmissions "will be sought" for existing pay-TV services from January 1 1994, and for other existing services from 1996, following a Commission report on the state of play in the EC satellite market.

The Commission's task is now to produce a presentable version of what emerged in Strasbourg last week. It will have to satisfy member states that vague references to "meaningful" financing in the parliamentary amendments can be defined and any cash commitments met from the stretched EC budget.

But when telecommunications ministers meet near Christmas, Pandolfi may now be able to give them enough material to stitch together a deal: one loose enough to allow the European HDTV industry to grow, but not so loose as to leave it naked in the fierce competition with the Japanese and Americans.

Trap set for BT share fraudsters

By Hugo Dixon

Brian Smith has made 15 separate applications for BT shares in the expectation of making a killing in the UK government's share sale next week.

But, knowing multiple applications are illegal, he has disguised them by deliberately misspelling his name – Bryan Smith, Brian Smythe, B.C. Smith – and using slightly different addresses such as 4/137 Gloucester Terrace and 137-4 Gloster Terace (sic).

Given that more than 5m people have registered for the share sale, and that it is legal for several members of the same family to make separate applications, how do the government's advisers discover that Brian Smith has made multiple applications and distinguish him from the genuine applicants?

The answer is Trap – an "expert" computer system developed by accountants Touche Ross. The system was developed for previous government privatisations but has been continually updated to try to foil the latest tricks of the fraudsters.

So far, 282 letters have been fired off to people suspected of registering more than once, asking them to produce birth certificates for each person registered.

One replied: "Yes, I have 15 children but it will take an awfully long time to get their birth certificates." Another, a pensioner, wrote an angry letter claiming that the 30 registrations in his name were "unsolicited mail".

The letters are intended to deter people from carrying through with a fraud. But, if they persist, they can be fined or sent to prison.

Trap works in two phases. The first, known as "fuzzy matching", highlights applications which appear to be from the same address. Touche Ross' Chris Rees explains: "It is very easy to invent new names but much more difficult to invent new addresses and still get the stuff delivered. Fuzzy matching effectively works like a good postman who would be able to deliver the mail even if the address was slightly wrong."

The second phase, the true expert system, sifts through the list of applications from the same address to see which look suspicious. In earlier privatisations, this job was done manually by Touche Ross's team of forensic accountants.

But when the electricity industry was privatised, Touche Ross's computer programmers sat down with the forensic accountants to tease out the rules of thumb they use to spot scams. These rules were then built into an expert system.

Although Trap cannot catch every fraud, Rees says people often give themselves away. One example is the "alphabet" application, where somebody applies with names like Albert Jones, Bob Jones, Charles Jones and David Jones.

Another is the "gas ring", so called because it was first identified during the British Gas privatisation.

This involves a conspiracy where each member makes an application not only from their own homes but also from the homes of every other member of the conspiracy.

Rees says putting the expertise on to a computer system has three advantages. First, it is more methodical because the computer uses the rules of thumb developed by every member of the team and does not get tired. Second, it is quicker – something important when the number of people applying for shares is so huge.

Finally, by catching routine frauds, it allows the forensic accountants – who will number 50 at the height of the investigation – to concentrate on spotting new wheezes.

The expert system can then be updated to search for other examples of the new fraud. During the electricity privatisation, for example, Touche Ross discovered that fraudsters were trying to avoid being caught by getting their building societies to write cheques on their behalf.

Touche Ross says it always needs to keep one step ahead of the game and it is therefore unwilling to reveal exactly how its system works for fear that fraudsters will then know what they can get away with. "I don't want to give the thieves too many clues," says Rees.

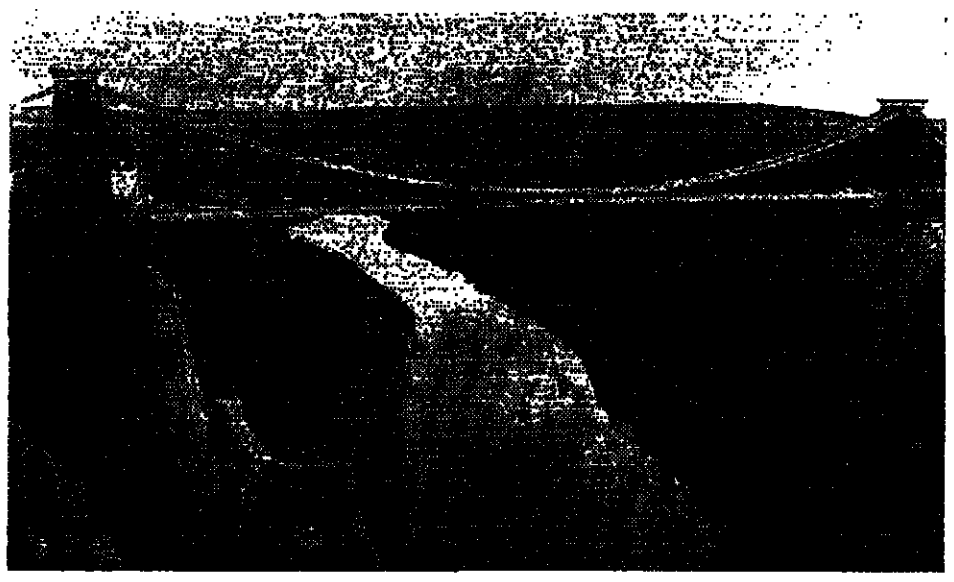
How Charles Laughton's luxurious old hotel was rebuilt from the ruins **Page 3**

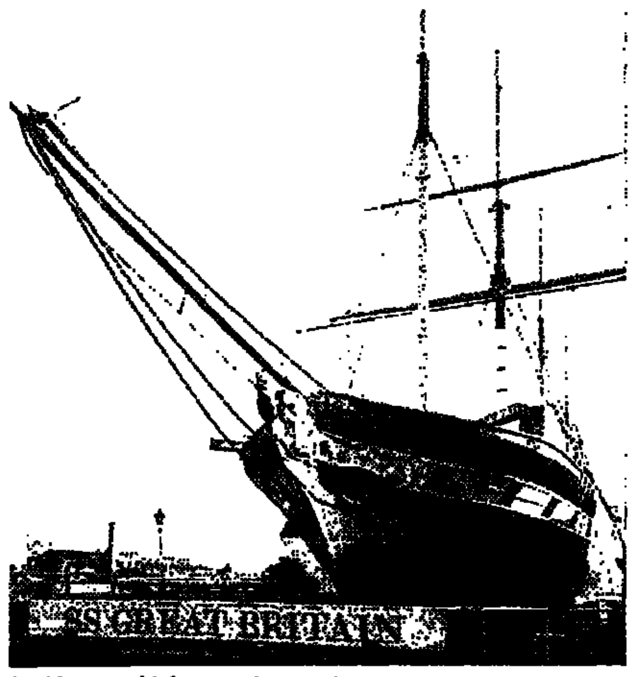
FINANCIAL TIMES SURVEY

BRISTOL

Why they want to bring back the tram and the trolleybus to central Bristol **Page 4**

Thursday November 28 1991





SCENES in a flourishing city with a distinguished past: the Sun Life Assurance building; the Clifton Suspension Bridge over the Avon Gorge; and SS Great Britain, after being salvaged from the Falkland Islands, being restored in the dock where Brunel built it

A cloudy outlook

An impressive number of leading public and private organisations have transferred their operations to Bristol. But the city's satisfaction at this trend is accompanied by a widespread anxiety that its run of luck may suddenly end, writes **Anthony Moreton**

FEW BRITISH cities have done as well as Bristol in recent months. Two weeks ago, the Ministry of Defence announced its intention to take over the whole of the 108-acre Bristol Business Park and relocate the procurement executive to the area, a move that will bring 5,500 jobs, 1,500 of them to be recruited locally.

Six weeks earlier, a new life company, National Westminster Life Assurance, was set up in conjunction with Clerical Medical, a step that will create 1,000 jobs. Lloyds Bank has transferred a head-office operation from London and is already employing some 800 in a purpose-built building facing the waterfront at Canons Marsh and intends to take the number of employees up to 1,400.

These are the sort of decisions many other places must envy. Yet behind this undoubted success there is a pervading lack of confidence. It is as though Bristol cannot believe its good fortune and thinks that another bolt is about to drop out of the sky and destroy its good luck.

The trouble is that Bristol has taken the undoubted decline in its economic fortunes badly. Five years ago the place was described as Sunbelt City. The city had ridden the 1981 recession well. It had already begun the long move out of its traditional industries of tobacco, printing, engineering, confectionery and wine; and its two core industries, defence and financial services, were less affected by the downturn than most others. The finance industry was even hiring people. There was wild talk about Bristol becoming England's second financial centre after London.

Even five years ago the city felt it could move upwards for ever. That confidence has been rudely shattered by the present recession. The unemployment rise in the county of Avon has been the second largest in the UK over the past 12 months.

One observer has pointed out that "the economic make-up of Bristol had come to resemble closely that of the South East of England. And it is suffering the same traumas."

This recession has severely hit the financial and defence sectors. Defence, based around British Aerospace and Rolls-Royce, has been badly hit and the government's *Options for Change* programme has left the city wondering how much worse the situation will become. There have been redundancies in finance. If these two seemingly recession-proof industries can be so badly affected, what other bad news is coming, observers ask.

Bristol is, too, a city at odds with itself. There can be few places where the business community is so much in conflict with the local authorities. There is an almost total lack of confidence in the business community about the ability of elected members or officers to guide Bristol's economic and social development along desirable routes.

Businessmen accuse the strongly Labour city council of pursuing irrelevant policies and being antagonistic towards new, modern industries, especially those in finance and tourism. They despair that the city has cut its own economic development marketing budget to almost nothing.

The council responds that government policies have not only made it much more difficult to overcome the problems facing inner cities but have actually left local authorities carrying the can for those problems. It argues that rate capping in general, restricting capital spending and the setting up of the urban development corporation, which it strongly opposed, will not bring back the sort of jobs the city needs. Bristol's political leaders point to the loss of manufacturing jobs (only 18 per cent of the workforce is now in this sector), the loss of jobs in inner-city areas such as Hartcliffe and the increase in part-time jobs, mostly for women.

They say the government has its priorities wrong and that new offices around Temple Meads, as proposed by Bristol Development Corporation, will further unbalance the economic and social fabric and do little to overcome the social problems that exist on some of the estates.

The development corporation hopes to have government permission for its Temple Meads scheme, which would provide up to 1m sq ft of office space and bring in a lot of private capital, by the end of this year. It also hopes to have the go-ahead for the £49m spine road linking the M32 motorway and the A4 road to Bath, which it sees as crucial towards unlocking the development potential of the inner city as well as providing traffic relief, early next year.

However, the worst may be over even if the recovery is some way off. In London, Mr David Kern, chief economist at National Westminster Bank, says the recession is still having a serious impact on the south-west economy but Bristol should begin to experience "modest recovery" next year.

"Defence changes will inevitably affect employment prospects and many of the financial institutions which moved into Bristol during the 1980s have shed jobs in recent months, exacerbating the unemployment," he says. "Although the immediate outlook is not encouraging a gradual upturn during 1992 is likely."

Mr Alec Ewens, president of the Bristol Chamber of Commerce, who notes a softening of the council's attitude towards business, agrees. "Business activity is continuing to contract, though the rate of contraction has slowed," he says. "In the next 12 months both manufacturing and service industries expect some recovery, however patchy."

The rise in unemployment has contributed to an increase in social problems, especially in the older parts of the city in suburbs such as Hartcliffe and Southmead. One Co-operative store in Southmead was forced to close last month because of attacks on the staff.

Confronted with these economic and social problems critics have attacked the council for its presumed "anti-business culture". Mr Christopher Godfrey, of lawyers Burges Salmon, says "there is too much complacency. Not enough is being done to boost Bristol. In Birmingham, there is civic pride. We don't have that." Another, anonymous businessman, adds: "Bristol is just not living up to expectations. The city is flat and has been overtaken by places like Birmingham and Leeds which are bursting with life."

Not everyone takes that view. Mr Chris Dunkerley, managing director of the investment bank Dartington, says that Bristol is buoyant and will overcome its problems. "Its position is superb, its workforce excellent and when the upturn comes Bristol is well placed to take full advantage of it."

Mr Mike West, Bristol's economic development officer, agrees. "There has been a sudden upturn in inquiries from firms considering coming here, more in the last two months than in the previous two years. We were losing 2,000 jobs a months earlier this year and manufacturing had fallen to about 18 per cent of all employment. But we have already attracted firms like Brooktree Electronics and Eastwood and the future is more hopeful."

If that hope is to be transformed into reality Bristol needs a more radical approach, according to Mr Richard Lalonde, president of the Bristol Property Agents Association. One of those radical solutions is the spine road being pushed through by Bristol Development Corporation to link the M32 motorway entrance to the city with the Bath road exit.

Mr Bob Durie of J P Sturge's, the leading estate agent, believes that Bristol would benefit from the appointment of a city manager "to harness the energies of the many organisations dedicated towards improving the profile of Bristol". That manager would have to come from the private sector, he says.

Not a feasible solution, perhaps. More feasible is an idea that turns the clock back to progress. Five centuries ago, Cabot sailed in the *Matthew* from Bristol and discovered Newfoundland. In 1997, the year of the 500th anniversary, Mr St John Hartnell, of estate agents Hartnell, Taylor, Cook, wants Bristol to commemorate the event by building a replica of the *Matthew*, to attract the Tall Ships Race and hold a mini Expo. "That would really push Bristol into the next century," he says. That push is certainly wanted.

Anthony Moreton talks to the financiers who chose Bristol

No haven from recession

LLOYDS BANK'S new Bristol office at Canons Marsh gleams in the sunlight across the water from the Lifeboat Museum, all cream-and-white bricks and concrete. The building, which houses an operation transferred from London, already employs 800 and work is going ahead on an extension which should take the numbers eventually to around 1,400.

Lloyds' choice of Bristol rather than Cardiff, its near neighbour across the Severn estuary, or one of another 40 places around Britain the bank looked at, was a tremendous boost to the city's ambitions to become a leading financial centre in the UK.

Four or five years ago it was common talk in Bristol about how the city, with its international roots trailing back for over two centuries, aimed at becoming the second financial city in England after London. Its business leaders pointed to a healthy stockbroking community, one of the top 10 building societies, four major insurance companies with headquarters in the city, all the leading accountants and two or three top-grade firms of lawyers. Some of the gloss has worn off that talk in the intervening years as the recession has taken its toll on the city – a toll as great as anywhere else in southern England. Bristol managed to escape the worst effects of the 1981 recession because the financial sector was still growing.

This time, the sector has suffered as much as it has in London and the South East and redundancies have occurred. There have been closures, amalgamations and lay-offs. The stock exchange has closed, market-making among the brokers has ended, some brokers have closed, others have merged into out-of-town groups.

Girobank's Lewis Evans: need for a sense of proportion

Mr Lewis Evans, managing director of Girobank, is sceptical in any case of Bristol's original claim to be England's second financial city. "Bristol is good for us on the corporate side," he says, "and we have good customers in the South West such as Inn Leisure, the managed-house division of brewers Devenish, and London and Manchester Assurance. The city is very much a growth area but it is still a long way behind Leeds, Birmingham and Manchester, let alone Edinburgh, in the totality and weight of financial services it offers."

He is supported by Mr Tony FitzSimons, managing director of the Bristol and West Building Society. "Bristol is certainly an important financial centre and a growing one in the long term. But it is not England's second financial city and I doubt if, deep down, it has the ambition to win that accolade.

"One of its problems is that the needs of the institutions have outstripped the ability of Bristol to supply them. Costs have been forced up and there is a real danger that potential incomers to the city will increasingly look elsewhere."

That view is not a popular one and it is, fairly, pointed out that the level of business sophistication is sufficiently high for the city to be able to handle all but the most intricate of financial deals. National Westminster Bank, for one, does not share it. It is now, through its various arms, the largest single player in the financial sector with County NatWest Ventures, its venture-capital arm which opened last February, NatWest Insurance Services, NatWest Registrars, which has become lead receiving bank for British Telecom, and the recent move with Clerical Medical to set up National Westminster Life Assurance.

"Bristol is a highly important financial centre now," says Mr Neil Brockbank, regional director. "The great strength of the city is is ability to supply virtually all the services available in London with the same degree of professionalism but at considerably lower cost."

That confidence is repeated by Mr Christopher Godfrey, a partner in Burges Salmon, one of the leading firms of lawyers in the city. "The legal infrastructure is such that Bristol is in an excellent position to service companies," he says. "We would not presume to challenge the very largest London firms which are working for the likes of leading companies on the Stock Exchange such as Rolls-Royce or Grand Metropolitan but we can service the rest as well as the next firm.

"We are the only provincial firm with a significant unit trust business, which illustrates not only how a city like Bristol has developed but also how its participants have managed to capture niche businesses."

Because of its international background Bristol has also managed to develop its overseas connections. Lawrence Tucketts is part of the first European Economic Interest Group called Elf (the European Law Firm) which links firms in eight countries; Osborne Clarke has opened offices in Brussels, Copenhagen and Lyons; Bevan Ashford has joined a European network of legal firms called Advoc; Wansbroughs Willey Hargrave is to launch a network of legal and insurance expertise with offices in six European capitals; and Veale Wasbrough has a loose association with law firms in the major European countries through its membership of a British legal group called The Association.

Tony Andrews

Efficient services: one of Bristol's new accountancy offices

Within banking Mr Chris Dunkerley, managing director of Dartington, says it is the group's aim "to become the leading investment bank for the South West" though at Singer Friedlander Mr Edmund Bruegger, director in the city, admits that "while Bristol is a city full of business energy some of the changes which have taken place have reduced the city's ability to compete at the very top level."

He points out that there is now no wholly-owned native Bristol broking firm. "The broking sector remains important but rationalisation has seen firms like Laws merge into national groups such as Allied Provincial and Heseltine Moss into Brown Shipley."

Stock Beech, the last to maintain a market-making function, however small, is now part of Albert E Sharp, the Birmingham broker, following the collapse of British and Commonwealth, its parent. Sharp has transferred the market-making side to Birmingham. Singer and Friedlander remains a full-service merchant bank. "Our presence helps to bring investment into this part of the world," Mr Bruegger says, but he admits that getting new business is "slow". Ever an optimist, he adds: "Our book has grown quite nicely over the last year and our future in the region is a healthy one."

The investment group 3i is also optimistic about the future. The group's current investment in the South West rose by nearly 10 per cent last year to £110m, figures which Mr Graham Spooner, the local director, says "reflect the level of confidence local managers have in the long-term prospects for the economy. We certainly expect to see demand for growth capital increasing over the next few months."

What Bristol now has to ensure is that the growth which it has undoubtedly sustained over the past decade, growth which has seen it become an important part of the British financial-services sector, is not undermined by outside factors.

There are dangers that rising office rents and secretarial wage levels could force potential entrants to the city to look elsewhere.

Even more important, there are fears that these could force existing concerns in the city to move out. Western Provident has already taken this step, going to Taunton, and others have gone out-of-town, to Aztec West or one of the other business parks.

There is also a danger that the local authorities do not sufficiently recognise the contribution a financial-services industry can bring to the economy. If more firms are to be enticed in more buildings are needed, including more in the city centre.

There is already a shortage of top-class office space and unless decisions are taken now about planning applications the flow of incomers will dry up in three, four or five years.

South-west is 'worst hit' by defence spending cuts

Two cheers for peace

AMONG ALL the issues concerning the future of Bristol none occupies as much attention as the consequences of the peace dividend.

Bristol is a large supplier to the defence industry: not just Rolls-Royce and British Aerospace, with their giant works at Filton, but a host of smaller concerns. The city has lost more than 5,000 jobs in the defence sector this year alone and is naturally concerned about future developments. How many more will go because of the easing of East-West tension? Will the prosperity of the city be irreparably damaged?

Some short-term relief was afforded by the Gulf War earlier this year and the need to repair holes that occurred in the fabric of defence as a result of that short conflagration.

However, the decline in defence spending, already evidenced in the government's discussion document *Options for Change*, is a fact of life. Its effect is exacerbated by changes in buying patterns for commercial aircraft.

The future in the defence sector is therefore not bright. But how bad is it? To seek the answer the city of Bristol and the seven counties in the South West commissioned the research unit in defence economics at Bristol Polytechnic to study the whole matter. Earlier this year, four academics, Dr Derek Braddon, Mr Adrian Kendry, Mr Paul Dowdall and Mr Peter Cullen, produced a paper offering some answers.

Entitled "The Impact of Reduced Military Expenditure on the Economy of South West England", it estimated that defence spending in the region amounted to £3.38bn a year, some 18.8 per cent of total defence spending in the UK.

The team did not isolate the role and position of Bristol but as the city is undoubtedly the major single contributor to the defence industry within the region it would bear the brunt of the economic consequences. This is not to devalue the economic contribution of Plymouth, Gloucester, Cheltenham, Yeovil, Devizes, Honiton, Newquay and other places. It merely puts it in perspective.

The team found that 155,000 jobs across the region "depend directly and indirectly on defence expenditure". Furthermore: "The South West is the most defence-dependent region in the UK with spending *per capita* for 1990 at £720 considerably more than twice the national average".

With the foundations for a new European defence industrial base being put in place the authors state this will have considerable implications for a defence-dependent region such as the South West.

The academic team forecasts that by the year 2000 at least 40,000 of the area's defence-dependent jobs will be lost. To this must be added another 12,000 non-defence jobs as a consequence of reduced spending patterns.

Some relief could come from increased exports but "there is growing evidence that these 'escape routes' are losing their efficacy as they become increasingly congested"

The figure of 52,000 losses is therefore a low estimate. "Companies with even moderate defence exposure face overall closure as defence cutbacks take them below the 'critical mass' level of operation," the academics declare.

They conclude that defence spending in the 1980s "contributed to prosperity and employment, insulating the region from the worst effects of economic recession. Without effective policy response, defence cuts in the 1990s will fracture this insulation, exposing the South West economy to the shock of rapid and unco-ordinated economic change."

The authors concede that while this is a pessimistic forecast the changes offer "an unprecedented opportunity" to lay the foundations for regional economic prosperity for the next century. "A positive and facilitating approach to change can propel the South West forward into new markets, diminishing growing concern that the region may otherwise slip into the economic backwaters of a new Europe."

Anthony Moreton

After the expanding 1980s, it's the shrinking 1990s

Industry in a cold climate

IN THE 1980s, Bristol emerged as one of Britain's most successful cities.

New industries in services and electronics moved in and created jobs to replace those lost in the traditional sectors of tobacco, paper and board and food and drink.

Clerical Medical Investment, Sun Life, London Life, Lloyds Bank and National Westminster insurance services division transferred to Bristol either their headquarters or parts of their operations. Hewlett Packard added to the technological base represented by British Aerospace and Rolls Royce.

Around 20,000 jobs have been lost in tobacco and paper since the late 1970s, equivalent to 5 per cent of the workforce of around 380,000 in the Bristol travel-to-work-area. Tobacco, paper, packaging, printing, food and drink still account for 25 per cent of the manufacturing workforce, but as a percentage of the total workforce, manufacturing has shrunk to 18 per cent, well below the national average of 24 per cent.

Welsh industrial areas and former railway towns such as Peterborough and Swindon fought to attract footloose companies from the overcrowded south-east of England with offers of financial incentives or cheap land and labour.

Bristol, however, seemed able to attract companies by virtue only of its good location and quality of life. Unemployment remained low through the 1980s. Indeed, by 1988 white collar companies started to report severe skill shortages. Some businessmen thought Bristol was suffering from congestion and soaring office rents, usually associated with London.

Today Bristol is as badly hit by the recession as other parts of the south-east. Unemployment is put at 8.6 per cent compared with the national average of 8.1 per cent and 7.9 per cent for the south-west.

Mr Mike West, senior economic development officer at city hall, says: "this is the first time that I can remember that unemployment has been higher than the average for the south-west region".

This is partly because this recession, unlike the one of the early 1980s, has hit service companies particularly hard, and the construction industry has been badly affected by the economic slowdown. "Two years ago", says Mr West, "I counted 28 cranes on building sites around the city site. Now you would be hard put to find one major construction project."

Bristol's woes are also due to cuts in defence, the main manufacturing industry which held up well in the 1980s. Defence and aerospace are important industries for Bristol. British Aerospace and Rolls Royce both have a considerable presence, between them employing 15,000 people. If a broad spectrum of sub-contract companies and their employees are included then this sector employs 35,000 people in Bristol.

Rolls Royce makes the Pegasus engine for Harrier jump jets. It also makes the RB199 engine in conjunction with Italy and Germany, which powers the Tornado, and the Adour for the Jaguar and Hawk trainer and the Eurojet EJ 200 made in consortium with Germany Italy and Spain.

Mr John Hutchison, a senior spokesman for Rolls Royce, says "there is no disguising the fact that times are very tough for all of us. The Tornado ceases manufacture next year. We have hopes for the Eurojet keeping us busy."

Mr Hutchison expects that the numbers employed by Rolls Royce at Filton just outside Bristol will fall to around 6,500 from a current 7,000. "In the longer term the prospects are better", he adds. "We are not going to disappear. We intend to stay around in the defence business."

British Aerospace employs around 8,000 people in various divisions. The civil division is the main employer with about 5,000 people and makes part of the Airbus.

There is also the dynamics division involved in guided missiles, a space division a research division and various other parts involved in military aircraft.

British Aerospace declines to forecast the manning level in five years. But there will be cuts is in the servicing of military of aircraft. Work will run out on servicing and modifying F111 fighters as the US airforce cuts its numbers in Europe. According to Mike West, the answer to declining jobs in defence sectors is to encourage new high technology companies to come into Bristol.

"The people employed in the defence sector are highly skilled, highly trained workers. They are not going to find the kind of jobs they want with insurance companies."

Mr Alec Ewens, the president of the local chamber of commerce agrees with Mr West: "We have been very glad to have National Westminster and Lloyds. But the jobs we need in the 1990s are in the high technology field."

Bristol did have its successes in attracting some high technology companies in the 1980s. Hewlett Packard and Du Pont Electronics both established operations in Bristol.

But the new arrivals in manufacturing did not match the scale of white collar service companies relocating to Bristol. "Bristol needs to slant its promotional activities much more towards high technology companies", Mr West says. The city has land available. With recession it is now back at a competitive price. It certainly will have the labour.

Stewart Dalb

BRISTOL 3

Hotels spring up but tourism still lags, writes **Anthony Moreton**

Untapped visitor appeal

TWO MONTHS ago the Swallow group reopened the Royal Hotel and added a jewel to the city's hotels. The Royal occupies an outstanding position, next to the cathedral, in a conservation area, opposite the Council House and looking up Park Street across College Green.

The Royal had once been the centre of Bristol life. In the 1950s, its patrons included film stars such as Charles Laughton, Peter Sellers and one-time Bristol boy Cary Grant. Margot Fonteyn was another visitor. Before the second world war it had vied with the Grand as the centre of cafe society.

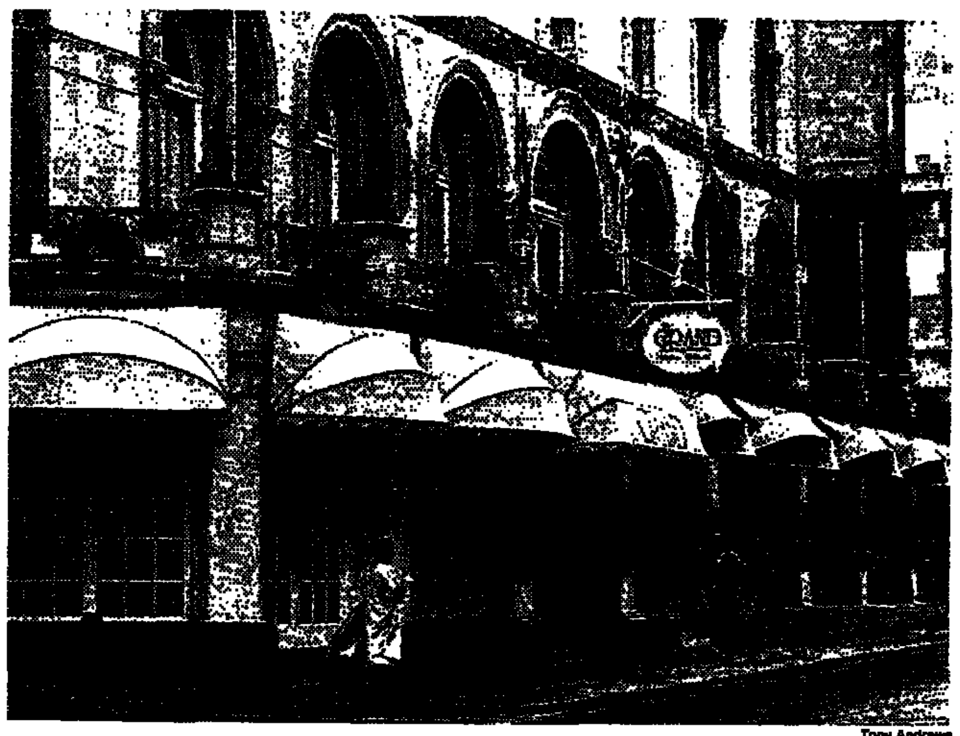
Five years ago, the glamour and the glitter had gone. The building, long since closed, was a wreck, with the windows boarded, the stucco peeling and the rain finding holes that no one knew existed.

A decade earlier, developers sought to turn the building into offices but the council, mindful of the situation and the city's need for more hotels, turned them down. Then, in 1987, Swallow entered the scene, submitted plans, brought in the Royal Fine Arts Commission and spent £40m on the 242-bedroom building.

It was unfortunate that Swallow should have completed its restoration and opened the hotel just as the trade was hit by its worst recession for years . "Like other cities Bristol has felt the effects of the recession badly," says Mr Robert Glashan, president of the Bristol Hotels Association. "Two or three years ago it was difficult, if not impossible, to get a room in a city-centre hotel in midweek. That is no longer true."

There are now too many bedrooms for the level of demand, partly because more hotels have appeared on the scene. Mr Glashan is also general manager of the Bristol Moat House, which opened last year.

Others to open their doors since the peak years have been the Stakis Leisure Lodge and Shire Inns' Aztec Hotel. These two are on the Aztec West business park and technically edge-of-town rather than city centre but as their clientele is essentially the same businessman market they, and the Crest at Filton, are in direct competition with in-town



Tony Andrews

Grand Hotel, one of city centre's few medium-sized conference venues

hotels such as the Hilton, Grand, Unicorn, Holiday Inn and Avon Gorge.

The extent of the recession can be seen, Mr Glashan says, from the figures. "There are probably 1,500 bedrooms available in the city in the leading hotels and demand is running at about 900 to 1,000 in midweek." Even that is thought to be an optimistic figure by some outside observers. Prices are

The competitor is Bath with its Roman origins and Georgian facades

being heavily discounted, a sure sign of weak demand, and on weekends many hotels have few overnight visitors.

Neither the fall in demand nor the inability to create a weekend clientele is unique to Bristol. Most British city hotels are having a hard time but Bristol's problem has been compounded by its inability to attract tourists and the lack of good conference facilities which might have helped fill the gap.

Despite its attractive position Bristol is rarely seen as a tourist centre. This is partly because it is near Bath, whose Roman origins and Georgian facades have helped turn it into one of the great visitor centres in Britain. It is also due partly to the unwillingness of the council to see tourism as a meaningful occupation, an attitude which has led to the closure of the marketing bureau.

From a business angle the lack of conference facilities is more serious. Mr Glashan looks with envy to Plymouth, which in September opened the £28m Pavilions, a building that can hold 2,500 and compete with facilities offered at Harrogate, Bournemouth, Blackpool and Scarborough.

In Bristol, there is nothing to compete with the Pavilions; indeed, there is no modern, large building that can stage major conferences. Plans exist for one in Canons Marsh, but they have lain on the table for the past three years and have hardly progressed.

Within the hotels the Holiday Inn can handle 500-strong conferences and the Grand 400. The rest are restricted to relatively small numbers. "It is a shame," Mr Glashan says. "Bristol has so much to offer. It could handle conferences and the tourist trade so well. The trouble is that people here do not think big. So things go by default. "It is not just conferences, either. There is no real exhibition centre, nowhere we could put on a big event. There are a couple of old wine stores behind the Watershed building which have been adapted to serve as exhibition centres, but a city like Bristol should have a proper centre with all the modern facilities."

Even though the recession has taken a particularly severe toll on Bristol Mr Glashan sees an upside to the present position. When the recession is over, he believes, the demand for hotel bedrooms from the midweek business market will rise to about 1,600 a night, the level of three years ago when it was difficult to find a room from Monday to Thursday.

But that is crystal gazing and what everyone can see in their ledgers now are more red figures than black. The future may be comforting; the present is very different.

Urban projects rouse local passions, writes **Stewart Dalby**

A need for time and money

BRISTOL Development Corporation, like its counterparts in Cardiff and the Black Country, has discovered that regeneration of a rundown area can take longer than expected if the infrastructure has to be strengthened.

The BDC was set up by the government in 1989 to revive an area of 900 acres around Temple Meads, the city-centre railway station. It was to have had a life of five years and was allocated £15m.

But Christopher Thomas, chairman, and Miles Collinge, chief executive, quickly realised that neither the time nor the money would be sufficient to regenerate the area on the scale they had in mind. They were convinced that a spine road would have to be built.

The development area also includes St Anne's and St Philip's, two old industrial areas that are partly derelict and run down. Few people live in these areas, but 14,000 people work there.

Although the development area is close to the city centre and criss-crossed by roads, railways and waterways, access from outside is poor. Mr Collinge considers the spine road "crucial".

"The spine road is the backbone of the BDC's regeneration strategy," he said. "It will open up areas of dereliction and under-used land, and improve access." It will also relieve traffic congestion in the city centre.

The plan is for a ¾-mile dual carriageway, from the M32 (which is linked to the M4 and national motorway network) in the north to the A4 in the south. This would by-pass the centre. "Access really is the key," said Peter Butt, marketing director of the BDC. "We need to be able to get people in and out."

The corporation has predicated all development on the construction of the spine road. Asked whether some piecemeal development was possible without the road, Mr Butt replied: "not on the scale, or in the way, that the area needs." Without proper access, the area would not attract the large amounts of private investment that were possible or be developed as fully as it could.

He added: "I worked for some years in London's Docklands. We are all conscious here that Docklands did things the wrong way round. They put up the buildings, the offices and homes.

Japanese-style buildings at Bristol business park: access is the real key

"Now they are having to spend a fortune improving the infrastructure so that people can reach them. We do not want to get in a similar position here."

Delay to the spine road has meant that there has been little movement on the Temple Meads development or on the two other projects, the Avon Weir, down-river from the development area, and a scheme to build 700 houses and create a village at St Anne's in the east of the area.

Temple Meads is the BDC's flagship project. The first phase, on 30 acres, will include 1.5m sq ft of floorspace, with 1m sq ft of offices, the remainder being public open space, shops, waterside restaurants, visitor attractions, cultural facilities and a hotel.

Phase two will see development of a further 60 acres, and involve the selective redevelopment and refurbishment of a number of sites and premises around key retained buildings within the Kingsley village area.

This is expected to require £500m of private-sector investment and to create 8,500 jobs. The project will become the new gateway to Bristol, because it will include the Grade 1 listed Temple Meads station, designed by Brunel. It will be adjacent to the floating market area in the city centre.

The Avon Weir scheme is a plan to create a weir across the River Avon at Gaol Ferry Bridge, downstream from the urban development area, and will cover existing tidal mud-flats with fresh water in parts of the BDC's area.

The Avon Valley project involves building 700 houses on waterfront land on the old St Anne's Board Mills site. Before this factory was pulled down it made cigarette packaging, and in the mid-1980s employed 1,800 people.

Two years into the projected five-year life of the corporation, a start has not been made on any of these projects or on the spine road.

The problem has not been entirely lack of funds. Mr Thomas quickly convinced the government that the original £15m was insufficient, and a new budget of £65m has been agreed, and the life of the corporation has been extended by a year until 1995.

The spine road itself is expected to cost £49m, but the corporation has only to find a part of this. The Ministry of Transport will make a contribution, and about £20m is expected to come from the private sector.

The attraction for the private sector is that the spine road could enhance land values. Hanson, for example, owns 40 acres within the BDC's area, but with poor access. The spine road would improve the value of the land, and the group, among others, might be interested in helping to finance it.

Delays have been caused by protracted public inquiries into both the spine road and the Temple Meads project.

Although, theoretically, the BDC has planning permission for the area, if compulsory purchase orders (CPOs) are involved a public inquiry can be called into previously agreed planning consents.

The Labour-controlled city council, which has resented the development body since its inception, has initiated complaints against some CPOs being lodged.

It believes that some of the relocations involved would drive what remains of blue-collar industry out of an area close to the city centre.

However, the public inquiries have been completed, and decisions are awaited from the secretary of state for the environment.

The BDC expects both projects to receive the green light – Temple Meads by the end of the year, the spine road by February.

It believes that when regeneration is complete, about £1bn will have been invested by the private sector. This would mean a ratio of 12:1 private- to public-sector investment – higher than any other development corporation has achieved.

THIS EVENING the Theatre Royal is presenting David Hare's play *The Secret Rapture*. Next door, the New Vic is previewing *Sleuth* for a first night next week. Last night Tommy Steele began a two week run in the Hippodrome in *Some Like It Hot*, the old Marilyn Monroe favourite. Just another week in Bristol's vibrant theatre life.

THE ARTS

Comedy of errors

It is part of a rich and varied artistic life. Theatre happens to be the strongest element in that artistic life yet despite the fact that art, music and drama have contributed deeply to the ambience of the city Bristol is not nearly so well endowed with facilities as many other places around Britain.

It has no orchestra to compete with Manchester's Halle, no gallery to match Liverpool's Walker or Glasgow's Burrell, no opera to equal that in Leeds. It imports the Welsh National Opera Company for seasons and if it wants top-rank music it needs a concert hall. The city looks enviously at Birmingham's new concert hall and hopes that developments at Canons Marsh will eventually produce something to attract the best. It is a long-term hope.

The failure earlier this month by the Trinity College of Music to move to the city from London seems symbolic of Bristol's inability to break through. The failure could not be laid at Bristol's door: the School simply could not raise the money to move and it became just another lost opportunity.

The Bournemouth Symphony Orchestra once wanted to move its home to Bristol, but nothing came of the suggestion. Bristol itself was unwilling to put up money to add to private sources. Critics claim the move really came to nothing because of a lack of interest.

Perhaps the lack of a hall was a more serious drawback. The Colston Hall has given magnificent service as a venue but despite its excellent acoustics it can no longer provide the standards top-class artistes and companies demand. It is simply not a concert hall for the 1990s.

Nearly three years ago LDR International, the Cardiff-based international planning and architectural firm, produced a plan for Canons Marsh, the dockland site between the cathedral and the Floating Harbour, home of the SS Great Britain, which included a 2,500-seat concert hall in the development as well as museums, art galleries and theatres. The city itself, together with a number of companies such as British Gas and Lloyds Bank, backed the project – which has still to move more than an inch forward though there are reports that the scheme is about to be kick-started back into life.

The emphasis on drama and the spoken word which is still maintained at the BBC, whose Bristol operation is to become the British centre for documentary features and natural history, stems from the venerability of the Theatre Royal. The theatre has the oldest auditorium in Britain, having been established 200 years ago and its Bristol Old Vic has an enviable and well-merited place in the history of UK theatre. The ghost of Sarah Siddons is said to haunt the building. Its position at the heart of local and national theatre life was consolidated in the 1970s with the setting up of the New Vic as a home for touring companies.

The problem with the Theatre Royal is that it needs money spent on the fabric. The auditorium can hold 680 (compared with 2,0000 at the Hippodrome) but its sight-lines are poor, critics say. Recent funding problems have been eased following support from local councils and the arrival of a new director, Andy Hay, from the Octagon in Bolton, holds out hope of a better future.

The problems of the theatre are just one of the issues being looked at by consultants reviewing the whole field of the performing arts. Bristol itself, South West Arts and The Bristol Initiative have funded a look at what exists and what strategy ought to be adopted for the arts. No one is saying much about the state of this report but it is hoped it will point the way forward and that the council will take the positive steps needed to put the arts on a proper footing.

Consultants were called in after two years hard lobbying by the Campaign for the Arts in Bristol and Avon, whose then chairman Patrick Malahide said that an independent investigation into the needs and scope of the arts locally was the only way to "put an end to the long saga of ignorance, apathy and lack of co-operation".

In the visual arts Bristol glories in the Arnolfini even if it does not have a great civic museum. The Arnolfini, admirably sited on the water's edge, occupies an 1830s tea warehouse and has a high profile, being part of a loose provincial network of galleries that includes leaders in Manchester, Oxford and Edinburgh.

This weekend the gallery begins a season called the Circular Dance, an exhibition demonstrating the strength of work among Asian women artists working in Britain today and including works by Sutapa Biswas, Nina Edge, Jagit Chuhan and Gurminder Sikand. This will be followed in the middle of January by the first one-woman show of work by Annette Messager.

Across the dock from Arnolfini is Watershed, a media centre with strength in film. Watershed was opened in 1982 claiming to be the first in Britain dedicated to the technological arts – cinema, photography, print, broadcasting and, more recently, video.

Like almost all the others Watershed is feeling the economic pinch. Its director, Dick Penny, hoped to have raised about £45,000 this year in sponsorship from industry. "We are little more than half-way towards our target," he ruefully admits.

It is perhaps facetious to end by pointing out that Bristol does have one unique feature. In Fooltime it has the only circus school in the country. A small contribution to artistic life, perhaps, but a valuable one, nonetheless.

Anthony Moreton

HIGHER EDUCATION

Colleges told: pay your way

MANY UNIVERSITIES and polytechnics are being encouraged to manage themselves in a more businesslike way and to develop closer links with industry.

Bristol University has had some success on both fronts. Its long association with the local business community is symbolised by the Wills Memorial Tower which rises from a hill above the city centre. It was built by H.O. Wills using money from his family's tobacco empire.

The university has taken the lead in the debate about funding higher education. Under the so-called Bristol option developed by the vice-chancellor, Sir John Kingman, the universities would have tighter control over how many students or "customers" they take in and more say in how they are funded. Individual universities would have more discretion over setting fees

Each university would be allocated a number of state scholarships. Additional students would be supported in a number of ways including scholarships from industry. Until now the state scholarships have come from the Universities Funding Council.

In the Queen's speech last month the Bill to reform higher education envisaged the replacement of the existing funding councils for the universities and the polytechnics by Higher Education Funding Councils for England and Wales.

The polytechnics would gain the right to call themselves universities.

Bristol university, for its part, would hope to increase the proportion of alternative forms of funding, particularly from industry. In some departments, there are 30 applicants for every undergraduate place, so there is scope to close funding gaps.

To do this it knows it must be more conscious of what kind of students it turns out, and try to tune its research more closely to what industry wants.

Bristol university is one of smallest universities that aspire to embrace most disciplines. It has six faculties and a school of education. These include law, medicine (including dentistry), veterinary science, engineering and applied sciences, pure science and the arts and the humanities. It does not have a business school, although the polytechnic does. There is an MBA course, however, and there are links with French business schools.

Five departments are considered to be world class by the universities funding council.

The university has 9,000 students including 1,500 post-graduates and the hope is to raise the number to 11,000 in the foreseeable future. The University made a profit of £200,000 on a turnover of £100m last year.

"This may not sound much, but bigger universities than ours are showing substantial deficits", says Mr Don Carleton, the information officer.

Some £55m of the turnover came from the university funding council and was mainly for teaching, with some 28 per cent going to research. The rest came from student fees. Much of the research money was from the research arm of the funding council and was earmarked for pure research. But the university is also winning contracts for research linked to specific projects.

Mr Adrian Hill, the head of the university's industrial liaison office, keeps an eye on the unversity's intellectual property rights and exploitable research results and seeks to coordinate post-graduate activities related to industry and commerce.

He also tries to identify research possibilities within the EC for academics.

Nowadays his efforts are targeted less towards erstwhile benefactors such as the tobacco industry than to high technology concerns. "We would look to do business in many areas", says Mr Hill. "It could be the development of a high technology microscope for electron micro-samples or it could involve environmental toxicology in the Mediterranean. We have a Centre for Mediterranean Studies here."

On the question of tailor students for industry, Mr C leton says, "we try and ma sure that our students, parti larly our engineers and sci tists, at some stage work o team project, which is plug ble into specific areas of dev opment".

Professor Michael Rees, Dean of the Bristol Busin School at the Bristol Polyte nic, also says courses sho reflect the needs of indus and commerce: "It is critical an area like Bristol t courses and curricula refl the needs of the local econo Companies will come to area partly on the basis what the educational insti tions can offer."

With the recent largesc arrival of service companies Bristol, the business school introduced courses such a four year sandwich Bachelo Arts degree in busin studies. There are also degr in accountancy and fina and a new degree course international business studi

About 2,000 of the 3,300 s dents enrolled in the scho courses are part time.

Professor Rees says the bu ness school is foster increasingly close links w Lloyds Bank, National W minster and GKN. It has income of £6m, of wh £500,000 comes from priv companies.

The Business School highly regarded by the bu ness community. Its deg course in financial servi attracts about 50 applicants every place.

It is part of the Polytechn where there are 11,000 stude and a budget of more th £30m. The Polytechnic as whole sees its role as lin with the local economy.

Together with the unive ties of Bristol and Bath Polytechnic is involved developing the Emerso Green science and resea park. The tentatively costed £500m two years ago, is in last stages of gaining plann consent.

If it proceeds, it will f part of Bristol's effort attract new high technol and science based industrie replace jobs lost in the defe and other industries.

Stewart Dal

TRANSPORT

The talk is of trams

What Manchester does today, Bristol may do later

ON TUESDAY a Private Bill was introduced into parliament to sanction the first stage of a light-railway system through the centre of the city.

Light railways, a modern version of the tram, are in vogue and Bristol is following a route already taken in Britain by Manchester, Sheffield and other cities.

Bristol could indeed have not one but two futuristic inner-city transport systems. Plans have been announced for a guided light transit network, a mode of transport not yet in operation anywhere else.

Cynics might, however, say they have been here before. The light railway, brainchild of Advanced Transport for Avon (ATA), has already been through the parliamentary Bill system and, at one time, hoped to have the first trams running before the end of 1992.

Mr Brian Carter, managing director of ATA, is now so cautious about when the trams might appear that he will not even discuss a date.

Meanwhile, at City Line, a subsidiary of Badgerline which runs most of Bristol's buses, the top men are holding their breath about guided buses, a form of transport that promises to be the way city dwellers will move in the next century. The guided light transit (GLT) vehicle is a form of two- or three-set trolleybus, quite common on the continent.

The difference is that the GLT bus will be powered by overhead electricity cables and be guided by a single rail in the road or, where this is impracticable, will convert to a manually-driven diesel vehicle.

The only problem with GLT is its lack of operational experience. The system is the brainchild of a Belgium company, BN (offshoot of a Canadian company) that has been tested for three summer seasons at the Belgian resort of Jemmelle. "GLT is a leap into the future", admits Mr Philip Snowden, group executive at Badgerline. "But we believe it is one that will play an important role in solving the environmental and traffic problems of our cities."

If Bristol gets the GLT it will not be the guinea-pig city, though. Lyons in France has placed a big order for the vehicles and expects to have them up and running soon.

Mr Snowden is rather more circumspect about timing. He sees them on Bristol's roads – one was on show in the city in the middle of September – by 1996. But that depends on co-operation from the local authority and some financial assistance from the government. The two systems are not necessarily conflicting approaches to traffic management, though they could dilute the ability of the city to raise the necessary finance.

Government, for one, will not appreciate being approached by two bodies seeking to dip their fingers into the Section 56 aid available from the Department of Transport.

However, those close to ATA claim that an almost bottomless pool of Middle Eastern money is about to become available, which would overcome all problems and allow it to push ahead. Mr Carter will not be drawn but unless something is found quickly the light railway system could perish.

He admits that the unwillingness of the government to commit itself on funding is "a problem". The Treasury "wants private sector involvement," he says, "but the private sector cannot undertake such projects on its own. People we approach are asking what sort of grant will be available to back their money and the department of transport will give no assurances."

Manchester, however, has already received assistance for its Metrolink tram system and is running the vehicle on trials through the city. The Sheffield Supertram is not quite so far advanced but confidently expects to be carrying passengers by 1993. ATA will be lucky to have got the go-ahead, via the Private Bill, by then.

Sponsoring a Bill through parliament is a tortuous and expensive business, as ATA knows to its cost. It progressed a long way with an earlier Bill only to run up against opposition from the Lords which rejected it after submissions by Bristol council. The council wanted a fresh look at the routes chosen and the Lords agreed.

Mr Carter feels the original route remains the best choice but the city's view will not be known until next month. If Badgerline gets to the starting line first it will be an irony in that the bus company was one of the original backers of ATA and still retains a 10 per cent holding in the company. At one point it had two directors on the ATA board but they resigned a year ago, restricting the company's involvement to the capital holding.

However, the GLT system would be "complementary" to the light railway, Mr Snowden says. "Our initial route is a different one, going where the light railway could not go. "Somehow, a new approach has to be found to traffic congestion and environmental issues," he says. "Guided light transit is that new approach because it takes the bus upmarket. Buses have something of an old-fashioned image and if we are to attract more people away from the car we need a modern, comfortable form of transport."

A GLT vehicle would, in effect, be two, or three, single-decker trolleys joined together. A two-set vehicle could carry 175 passengers, a three-set perhaps 100 more. Its great potential is the ability to switch from the single-track guidance line to diesel-powered driver operations. This flexibility allows not just areas without the track to be served but obstructions in city-centre streets to be bypassed. If the vehicle running on electric power on the track comes up against an obstruction the driver would switch to diesel power and drive the bus around the obstacle.

In Bristol, Mr Snowden says, "an important advantage is that the route chosen does not involve any property demolition or acquisition of land. And because there are no separate rights of way, such as old railway lines, GLT makes use of the public roads for its entire length."

Anthony Moreton

PROPERTY

New sites for sore eyes

BRISTOL PARKWAY must be one of British Rail's most tatty stations. Yet this eyesore, already heavily used as an important link, is going to be the first sight many more people have of an expanding part of the city.

The decision a fortnight ago by the Ministry of Defence to relocate part of its defence procurement activities to the Bristol Business Park means 5,500 people will be employed within sight of the station.

More will no doubt turn up for the Bristol Parkway business park, even closer to the station, that Sun Life has acquired and to which the insurance giant will switch people from London as well as from the centre of Bristol.

The station is hardly the best introduction to two sites that are are evidence of a renewal of activity within the property market. Apart from the two business parks, approval has just been given for a £100m out-of-town shopping centre on a 65-acre site at Cribbs Causeway, alongside the M5 motorway, and there are plans for a science park at Emerson's Green, also near the Parkway station. Sun Alliance, one of the four major insurance companies in the city, is planning a development of four office buildings at Aztec West comprising 125,000sq ft.

These are all out-of-town sites and there are some, like Mr Tim Stevenson, director of Chesterton, who are concerned at the effect they will have on the centre of the city. "Cribbs Causeway," he says, "is a creature of the 1980s when the spending boom fuelled an unprecedented growth in shopping centres. Today's economic climate must cast serious doubts on the viability of the scheme. "I cannot see even a major institution such as the Prudential (which is involved in the scheme) embarking on this at a time when retailers are reluctant to take on new commitments."

The trend now, he says, is for large stores with retail warehousing and he believes a better approach for the site would have been the development of distribution warehousing, for which there is a shortage in Bristol.

The effects of out-of-town developments on inner-city shopping can be seen at the £150m Galleries redevelopment in Broadmead, originally a joint scheme between Ladbroke and Norwich Union now largely controlled by the latter. Lettings have been slow and one agent has described the occupants, with some understatement, as "not brilliant".

Mr Jason Schofield, retail specialist at J P Sturge, admits that "the last three months have been tough. Compared with the boom time the retail sector is still in the doldrums." But he says that foodstores are holding up the market and "gaps in the city's major shopping streets are being filled as more sensible rents are quoted".

In other words, prices have dropped, sometimes dramatically, and not just in the retail sector. In the office sector Mr Michael Finucane, also of Sturge, reports that land for top-level office developments has "plunged" from almost £1m an acre in 1989 to sterling 375,000 now. Not surprisingly, there have been "relatively few large lettings".

Not that the picture is entirely black. National Westminster has joined forces with Clerical Medical, one of the big four insurance companies in the city, to set up National Westminster Life Assurance and has bought the first phase of Trinity Quay, in the heart of the city, in a deal estimated at £40m. The first phase, a 75,000sq ft building, is already up and it will build the second phase, adding almost 100,000sq ft, next to it.

Chesterton's Mr Stevenson describes the office scene as "spectacular". Only one modern building, the Standard Life office at Redcliffe Quay, is now available and there is a danger that as Bristol comes out of the recession there will be a shortage of space leading to a sharp rise in prices.

The best office price achieved so far is the £18.75 a sq ft by the Church Commissioners 18 months ago for Great George St, but it is believed 50,000sq ft is under negotiation at Cathedral Steps for just over £20.

Sturge's Mr Finucane agrees. "Bristol will face a severe shortage of offices by the end of next year because of the current lack of development," he says. "The sale of Trinity Quay to NatWest provided a major boost but it also brought greater pressure for new development."

Perhaps there is a greater danger. Western Provident Association, the medical insurance group, has fled altogether. It has relocated to Taunton. For the moment the out-of-town business parks are the magnet, with Bristol and West Building Society and South Western Electricity among those taking space away from the centre. There are fears that before long Western Provident's move will be replicated.

These fears are not echoed by Mr St John Hartnell, of Hartnell, Taylor, Cook. "Bristol has everything going for it," he proclaims. "Transport changes will help the inner city. Bristol Development Corporation has imaginative plants for its area and there are great things going on in the docks. Few other cities have as much going for them."

The docks is indeed an exciting possibility. Some 2,500 acres covering Avonmouth and Royal Portbury have now come under First Corporate and, released from the shackles imposed by its previous owners, Bristol Corporation.

"Serious inquiries have already been received from importers and exporters. The area is ideally situated, being at the side of the M5 motorway and there are some 300 buildings on the site, many of which are capable of development."

With careful management Bristol is in a position to take advantage of the upturn in the economy when it happens. The Ministry of Defence, National Westminster and others have shown they are confident of the city's future. The council also has to play its part; only it can ensure that confidence is not misplaced.

Anthony Moreton

POLITICS

An unlikely battleground

BRISTOL IS an unlikely battleground. During most of the 1980s a number of well known white collar service companies, such Clerical Medical Investment Group and Lloyds Bank, moved their headquarters or parts of their activities to the city, creating many new jobs.

Bristol saw some of its manufacturing industries, such as tobacco and paper-making, decline but defence concerns held up well during the 1980s and overall unemployment remained low. Academics and economists started calling it a "sunbelt city".

Four of the five Bristol members of parliament are Conservatives, two of whom have slender majorities. Mr Chris Patten, the chairman of the Conservative Party, is MP for nearby Bath.

Bristol, in short, 100 miles along the M4 motorway link with Heathrow Airport and London, seemed to have become attached to the prosperous Conservative heartland of south-east England.

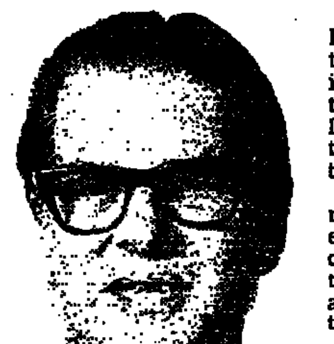
While its economy has changed, however, the city has kept its strong local left-wing tradition reflecting its former blue collar character. The council has been dominated by Labour since the 1950s, except for two short hung councils.

For most of the 1980s the council, which currently has 44 Labour party members, 18 Conservatives and five Liberal Democrats, with one seat vacant, has been regarded as anti-business by the commercial community.

Sir Robert Wall, the leader of the Conservatives on the city council, claims that the council has one of the worst records in the country of non-cooperation with the government. Left wing councillors, he claims, "have waged a war of attrition against the Bristol Development Corporation".

But Mr Graham Robertson, the council leader, denies that he is left wing or that the council is hostile to development.

"I have been council leader for eight years and nobody could describe me as left wing. I am moderate", he says. "I don't know how anyone can describe us as anti-business when you look at how many white collar companies have come into Bristol and how many jobs have been created. With Lloyds Bank down at Canons Marsh, we owned part of the site. We were helpful in getting them here. We did insist they kept the riverside walkways but we were not obstructive about planning permission."


Labour's Robertson: "neither leftwing nor anti-business"

Mr Alec Ewens, the president of the Bristol Chamber of Commerce, who claims political neutrality, says that although the council and the business community had been at odds in recent years, there was now cooperation and partnership – "rather like Sheffield which also has a labour council".

But Mr St John Hartnell, a leading estate agent, who is involved with the Bristol Development Corporation and the proposed light railway system, says that the council has consistently opposed office development in the city centre. "Some large projects have only gone through after appeals to the secretary for the environment." (The secretary of state has the power to "call in" or overrule planning decisions made by a local council.)

Mr Hartnell concedes that the city council and private sector developers are getting along better now.

He regards the leasing of the council-owned port and docks to a private concern as an imaginative step. But he says that the council has dragged its feet over helping to provide the city with a light railway system.

A private Bill for the first stage of the light railway system has gone through parliament but no work has yet taken place.

Mr Hartnell also believes that the council has not done enough to ease Bristol's traffic jams. "We must be alone of major cities in not having a park and ride scheme", he says.

Such views are not unexpected from Mr Hartnell, with his involvement in property and his strong support for the Conservative Party, and indeed from Sir Robert Wall.

The council has been criticised for failing to benefit from City Challenge, a new round of funds for inner city development schemes awarded by the Department of the Environment. It mounted a strong scheme involving the Church, the university, the local branch of the CBI and the Chamber of Commerce for a redevelopment at Hartcliffe and Withywood, a part of Bristol hit by recent job losses.

The scheme for Hartcliffe and Withywood was not chosen. No official reason was given by the DoE, but according to Mr Robertson, the DoE was unhappy with the proposed mix of housing, which would have contained insufficient private accommodation.

The difference between the council and developers is highlighted in the clashes over the Bristol Development Corporation.

As in other cities, the council resented the loss of planning controls and the transfer of compulsory purchase powers to an unelected government quango not accountable to local politicians. In Bristol, the council put up a stronger fight than in most other cities. When the BDC was first proposed in the mid-1980s, it petitioned parliament to prevent its creation.

In 1987, a select committee of the House of Lords recommended a UDC be established but changed the proposed boundaries.

Mr Robertson, the council leader, says: "It was clear that the government would try and impose a development corporation on us. We are the only Labour council of any size in this part of the country. It was totally a political decision."

He still feels that a development corporation was not necessary. Bristol was developing quickly in the 1980s without the pump priming needed for an urban development corporation.

"In the area of the development corporation, in Temple Meads, St Anne's and St Philips, we had already granted planning permissions for virtually all the land which was thought to need redeveloping," Mr Robertson says.

The area is one of blue collar, small scale industries, where some 14,000 people either walk to work, bicycle or use public transport from nearby estates. Mr Robertson believes that the development corporation will somehow drive these industries out.

The development corporation denies that the aim is to drive manufacturing industry from the area. It concedes that dislocation would result from building a new spine road as well as offices, shops and leisure facilities around Temple Meads.

But it would mainly affect subsidiary "noxious" industries, such as scrap metal merchants and waste disposal companies. Basic manufacturing plants – the area contains some small chemical concerns – would remain.

Mr Robertson, however, insists that the spine road would so drive up land prices that building anything other than offices and expensive housing would be uneconomic. Small manufacturers would not be able to afford the rents and rates.

The council and the BDC continue to argue. The council has had to accept the development corporation, although unlike corporations such as the ones in Teesside and Sheffield, the Bristol Development Corporation is boycotted by Labour council members.

Stewart Dalby

BRISTOL AIRPORT

A runway too far

IN THE late 1950s, when Bristol was looking for a new site for its airport, the city council was offered Filton for £1. Filton was then, as now, being used by the precursor of British Aerospace, its present owner, and a lot of test flying was taking place from the runway.

Looking a gift horse squarely in the face the council demurred. It called in consultants who advised there was no future in having a commercial service running in tandem with test flying. Developments elsewhere – Toulouse, for example – have proved the consultants wrong.

The council eventually found its site at Lulsgate Bottom, on the A 38 towards Bridgewater on the other side of the city. It is out in the country: traffic along the road fringing the airport has to stop when aircraft are approaching. Lulsgate is a pleasant airport but needs money spent on it if it is to meet the expanding services, particularly those of Brymon Airways' scheduled flights.

Lulsgate was originally built for the Royal Air Force during the second world war as a place to train aircrew in the arts of night and bad-weather flying. Together with its notorious hump in the runway it is sometimes considered remarkable it has grown as it has.

Mr Les Wilson, airport director since the early 1980s, concedes Lulsgate is not the most admirable location. "The airport is certainly not in the best place to serve the needs of the city or of the region even though it is no more than nine miles from the centre of Bristol," he says. "But to build another is simply not feasible today. Environmental pressures would almost certainly stop on almost any alternative that might be chosen."

Which brings us back to the £1 deal for Filton. Most businessmen agree with Dartington's managing director, Mr Chris Dunkerley that Filton should be developed as the Bristol airport. Opinion is not unanimous, though: his colleague at the investment bank, Mr Roy Avery, says there is no way an extension to Filton, which sits in the middle of a built-up area, would get beyond the planners let alone the environmentalists and local residents.

British Aerospace would almost certainly develop Filton – but at a price. The price would be agreement that the airport should handle intercontinental flights. It is a reasonable price, given its proximity to London's Heathrow and Gatwick airports, but not likely to be by the local planners.

Does Bristol therefore have to stay with Lulsgate? There is another alternative and Mr Wilson sees its advantages. Gwent County Council has proposed an international airport on a site along the north, or Welsh, side of the Bristol Channel. Within Bristol this proposal has its supporters since it would be near to the point where the second Severn crossing, about to be built, would land.

Mr Wilson is sceptical, though. "In theory, a Severnside airport is a good idea. It would tap a very large catchment area in Bristol, the South West and South Wales. But it is not a runner.

"The financial investment needed would run into billions and I doubt if that sort of money is available. I also doubt if such an airport would get over the environmental hurdle. A good idea but an old chestnut."

For the present, therefore, Lulsgate will remain Bristol airport. But essential improvements are likely. A 10-year development plan, costing £8-9m, points the way forward. The runway could be extended from its present 2,011 meters to the minimum of 2,200 needed to handle the big intercontinental jets.

To get a longer runway the road would have to be diverted through a tunnel. That, though, is not the first of Mr Wilson's priorities. "Much more important is serving the medium-haul business and increasing the short-haul."

It is being helped in this aim by the decision of Brymon to make Bristol its hub airport. Mr Malcolm Naylor, the airline's managing director, says the company is putting a big investment into its Bristol base. "Since the end of last year we have put three new Boeing Dash-8 aircraft there and next Spring we shall have another 50-seater. Our services will be expanded, boosting the 8,500 passengers we carry every month on scheduled flights. Bristol has a big catchment area and we aim to capture a good part of it."

It is the charter side, though, which is Bristol's strength, as it is in most regional airports. As recently as 1980 Bristol handled only 200,000 passengers a year and lost £130,000. By 1990 that number had risen to 913,000 and the loss had been turned into a profit of £713,000.

Since then there has been something of a downturn with the onset of recession, which has hit Bristol particularly hard. Last year the number of passengers had dropped back to 843,000 although pre-tax profit doubled to £1.57m and Mr Wilson expects the figure this year to fall further.

Within the total, though, there has been a significant switch of emphasis. Twelve months ago 80 per cent of Bristol's trade was in the charter business; today, that figure has been cut to 67 per cent as scheduled business has grown.

Bristol has for some years had continental links and these have been expanded with Aer Lingus serving Düsseldorf, Brussels and Dublin, Sabena serving Brussels, Air France Paris and KLM Amsterdam. Brymon has provided the big leap forward with flights not just to Paris but also an extended link of network services with Britain.

Brymon now offers services to Aberdeen, Edinburgh, Glasgow, Jersey, Newcastle and Plymouth, its headquarters, as well as Paris. The result has been a 17 per cent increase in the number of passengers on scheduled flights in the past 12 months, with a 94 per cent jump in the number travelling to, or from, other UK cities.

The further development of scheduled flights is very much at the heart of Mr Wilson's strategy for Lulsgate. "The next generation of aircraft is the regional jet," he says, "the plane with 50 to 70 seats. Their arrival at Bristol will allow us to offer services to southern Europe."

He points out that 25,000 people a year go to London from the Bristol area to catch a flight to Milan alone. "If we could capture that sort of market it would mean a lot to us."

He also wants to see the runway extended to offer the possibility of intercontinental flights and an increase in freight above the 8,500 tons now handled.

"Essentially, though, we shall remain a strong regional airport. That is our function. What we must do is become better and stronger."

Anthony Moreton

COMMODITIES AND AGRICULTURE

Opec agrees to continue flat-out oil production

By **Mark Nicholson** in Vienna

THE ORGANISATION of Petroleum Exporting countries agreed yesterday to allow its 11 fully-producing members to continue lifting oil at near capacity for the first quarter of next year and to defer any decision on output levels for the second quarter to a Ministerial Monitoring Committee meeting in February.

At a brief second plenary session yesterday to close the two-day ministerial summit in Vienna, Opec ministers also said they reaffirmed commitment to the July 1990 agreement, the last time a quota system was applied within Opec before the Iraqi invasion of Kuwait. The agreement also set a desired minimum reference price for the basket of Opec crudes at $21 a barrel.

However, Mr Subroto, the Opec secretary general, stressed after the meeting that ministers had reaffirmed the "principles" of the 1990 agreement, which he elaborated as optimising Opec revenues in relation to the market, that countries be allowed to produce to cover those not able to fulfil their quotas and that quotas be based on production capacities.

Yesterday's communique did not signal a resumption of a quota system, however, since producers are essentially being allowed to continue with output nearing capacity. The communique did not contain a specific ceiling for production in the first quarter, saying instead that the "September decision" had been reaffirmed.

Although this decision translated at the time into an effective ceiling of 23.65 barrels a day, Opec output has risen to 23.8m b/d in recent weeks and will increase further as more Kuwaiti oil reaches the market. The agreement to roll over the September decision rather than set a ceiling figure will allow Kuwait to raise output without this implying cuts for other producers.

The ministers deferred until a meeting on February 12 in Geneva any decision on output for the second quarter, by which time some producers expect weakened spring demand and rising Kuwaiti, and possibly Iraqi, output to create a price-threatening oil glut.

Mr Subroto said there were too many unpredictable variables, including levels of Soviet output, Kuwaiti and Iraqi production and the degree of an economic upturn in the US, for ministers to do more than stay in consultation before February 12 and make then what is likely to be a far more contentious and hard-won agreement on output for the second quarter.

Some producers, notably Saudi Arabia, which is now pumping near 8.5m b/d, are optimistic that the call on Opec oil will remain strong even in the second quarter, particularly if the Soviet Union's oil industry sinks further into disarray and Iraq remains sidelined.

Saudi Arabia believes that though demand will weaken, the call on Opec, including restocking, could be about 23.5m b/d. The Saudis are also determined neither to resume their former role as Opec's swing producer nor, with a multi-billion dollar plan to increase sustainable output capacity to 10m b/d by 1994, to return to their last official Opec quota of 5.4m b/d. "The idea of Saudi Arabia being a swing producer is dead," said one Gulf oil official.

The ministers also decided yesterday to hold the next bi-annual ministerial summit on May 20 in Vienna.

Chilean smelter project defies depression

Leslie Crawford reports on a $1.5bn plan for a 230,000-tonnes-a-year aluminium plant

IN SPITE of the price depression caused by the present world glut of aluminium, Noranda Aluminium, a subsidiary of the Canadian mining and forestry group, has announced plans to build a $1.5bn aluminium smelter and hydroelectric plant in the far south of Chile.

Chile has no bauxite, the ore from which aluminium is made, but the fjords, rivers and lakes of the isolated Aysen region have a vast potential for providing cheap electricity – the biggest single cost in producing aluminium – through hydroelectric generation.

At a press conference last Friday, Mr Jock Leighton, Noranda's project consultant, said that a feasibility study by Kaiser Engineers had been completed and that the 230,000 tonnes-a-year smelter could be ready in five to six years' time.

While the Canadians have teamed up with a small Chilean company, Proyectos de Aysen, which owns crucial water rights in the region, Mr Leighton said Noranda was still "selecting" more potential partners for the venture, named Alumysa.

Working out a financial package for the project is another bridge that has yet to be crossed. Mr Leighton conceded that these were not the most auspicious times to be launching a new aluminium project, what with excess world capacity, a recession in the western world and increased sales from the former Soviet Union.

Moreover, Alumysa faces competition from projects in Venezuela, which possesses large reserves of bauxite as well as cheap electricity and lies considerably closer to the US. Alusaf, the South African aluminium producer, has a R4.5bn (£820m) expansion programme that includes the biggest single smelter ever built.

Announcing the Alumysa project at this early stage also appears to be aimed at elbowing out two rival projects in Chile. Endesa, Chile's biggest electricity company, said last week, however, that it would not shelve its own plans just because of the Noranda announcement. Endesa also owns water rights in the Aysen region and aims to conduct a feasibility study for an aluminium project there next year. Comalco Smelting, owned by Australia's Comalco Aluminium, is studying a more modest project by the Magellan Straits.

The wealth of projects in a tight market has sparked off a race to win the favours of potential investors. Mr Leighton hopes the financial backing for Alumysa, without which the project cannot proceed, will be secured by mid-1992. Noranda is most likely to used the tried-and-tested formula of tying future production in exchange for up-front cash from potential customers. RTZ and BHP of Australia pioneered this fund-raising strategy in Chile to develop La Escondida, the richest copper deposit in the world.

The Aysen region has a vast potential for providing cheap electricity — the biggest single cost in producing aluminium

Noranda is talking to Japanese financiers as Japan is the most promising market for Alumysa's production. The bauxite would be shipped from Australia.

The $1.5bn project, which includes a 380 Mw hydroelectric dam and a port facility close to Puerto Aysen, will be the biggest foreign investment ever undertaken in Chile, surpassing the $900m spent on La Escondida, the second-biggest open-pit copper mine in the world after Chuquicamata, also in Chile.

President Patricio Aylwin and Mr Juan Hamilton, the mining minister, have given their most enthusiastic blessing to the project, as they are keen to maintain the foreign investment momentum in the country. This had begun to slacken following the completion of mega-projects such as La Escondida and three big cellulose plants.

Alumysa also has a special significance for Chileans, because it is the first time that they will be processing an imported raw material and exporting a finished product. Chile's economy is still largely based on the export of primary products – copper, fresh fruit and fishmeal.

The project, however, has caused alarm among the salmon farmers of Aysen, who fear that an aluminium plant on their doorstep will pollute the pure, cold waters in which their fish thrive. Aysen is one of the few places in the world where it is commercially profitable to cultivate Coho salmon, the species preferred by the Japanese. Aysen's salmon farming co-operative, COSA, produces 4,500 tonnes of Coho a year, about one-fifth of Chile's $140m salmon exports.

Noranda and Proyectos de Aysen say they will observe the strictest environmental guidelines in building the new smelter. However, research on salmon near an aluminium plant on the Columbia River in Canada showed that fluoride, the main contaminant in the aluminium refining process, interferes with the growth and survival of salmon. Fluoride treatment in a smoke plant is seldom more than 98 per cent effective. Unloading bauxite, metallurgical coal and other inputs for the smelter will inevitably lead to spillages. Finally, settling 1,500 families in the vicinity of the plant will not be without its environmental impact.

Wool output forecast to fall

By **David Blackwell**

THE WORLD wool clip next year will fall by 7 per cent to about the level seen in 1987-88, according to the latest Wool Quarterly. It is forecasting a clip of 1.8m tonnes for 1991-92 compared with this year's estimated 1.95m tonnes, which was itself the first decline after seven years of strong growth.

But the collapse in demand for wool this year while production was running at near record levels has left carryover stocks at an estimated 709,000 tonnes clean, an increase of 36 per cent on the stocks carried over on July 1 1990.

"At current consumption levels that represents more than a year's requirements by the main importing countries and constitutes a burdensome surplus," says Wool Quarterly, which is published by the Commonwealth Secretariat and produced by the International Wool Study Group and the International Wool Textile Organisation.

More than three-quarters of the stocks are held in Australia, with a further 10 per cent in New Zealand. These countries have abandoned minimum price support systems and will not build further stocks. Falling prices in the free market will lead to higher consumption, the report says, but demand will have to rise significantly to bring the market back to equilibrium.

"Latest data indicate that it would take a continuous 5 per cent growth in consumption over a five-year period to absorb contracting new clip supplies and to reduce stocks to a more normal level of around 300,000 tonnes clean."

African producers agree coffee stance

AFRICAN COFFEE producers have agreed new proposals on returning to export quotas at a three-day Inter-Africa Coffee Organisation meeting, reports Reuter from Arusha, Tanzania.

Delegates said they were optimistic about the International Coffee Organisation talks in London on Dec 4-6, which will coincide with the first meeting of a working group set up to look into proposals for a new coffee agreement.

"Our proposals aim at a modernised, flexible quota system which takes into account problems which led to the collapse of the agreement," said Mr Elijah Mwangale, the Kenyan IACO chairman.

He said on the last day of the talks that the IACO's four-point plan to speed up a return to quotas involved:

- Eliminating a two-tier system which existed prior to the collapse of the ICO pact.
- A flexible and dynamic way of allocating quotas.
- Adjusting quotas according to supply and demand.
- All producers working on a credible stock holding policy.

"We reaffirmed the position that the quota system was superior to other coffee market regulating schemes and that problems encountered previously have been duly corrected by the proposals," Mr Mwangale told a news conference.

The reintroduction of quotas would enable producers worldwide to achieve annual revenues of up to $10bn, compared with the present $6.5bn, he said, adding that he was confident of the backing of major producers such as Brazil and of consumer countries.

The International Coffee Agreement was suspended in 1989 after producers failed to agree on export quota shares. Producers then flooded the market with coffee, pushing prices sharply lower.

Jamaican bauxite output rises by 4.8%

By **Canute James** in Kingston

JAMAICA'S bauxite ore production in the third quarter (July-September) of 1991 was 2.92m tonnes, 4.8 per cent more than the corresponding period of 1990, while alumina production increased 3.2 per cent to 741,337 tonnes.

The Jamaica Bauxite Institute said this brought bauxite production in the first three quarters of 1991 to 8.53m tonnes, 3.7 per cent more than the first nine months of last year. Alumina production between January and September this year reached 2.23m tonnes, 5.6 per cent more than the corresponding period of 1990.

An institute official said that the increase in mining and refining was the result of higher output by two of the island's refiners. Alumina Partners, owned by Kaiser Aluminum of the US and Hydro Aluminum of Norway, increased output by 12.2 per cent over the first three quarters of the year, while Jamalco, jointly owned by the Jamaican government and the Aluminum Company of America, had increased output by 6.4 per cent.

Jamaica's bauxite production last year was 10.92m tonnes, 13.1 per cent more than 1989, while alumina production increased by 34.5 per cent last year to reach 2.88m tonnes.

NZ dairy industry 'in good heart'

Gloom is lifting after the worst season in decades, writes Terry Hall

THE NEW Zealand Dairy Board is hopeful that a reasonable lift in prices after the worst season for dairy farmers for decades will avert widespread defections from the industry.

This would be a major worry for New Zealand as the board, the co-operative organisation which handles all dairy exports, is one of the country's major export earners, with sales of more than NZ$3bn (£950m). This year it is expected to export 800,000 tonnes of products.

Last season most of the country's dairy farmers operated at a loss and Mr Dryden Spring, the board's chairman, warns that the industry could not survive for long if farmers returns continue to fall short of maintenance levels. In the season to June 30 the board was able to pay farmers just NZ$3.55 a kilogram for milkfat and it had to draw NZ$50m from reserves to lift the average payout of NZ$3.70 a kilogram. That compared with NZ$6.30 for 1989-90 and NZ$5.70 for 1988-89.

The 15 companies that supply the board with export products were able to top up the payout last season by an average 55 cents to NZ$4.25 a kilogram. These payouts vary widely, however, according to the efficiency, debt levels and capital spending programmes of the individual companies.

Mr Spring says the slight lift in prices so far this season will permit the board to lift its average payout to farmers to between NZ$3.90 and NZ$4 a kilogram and if favourable trends continue they could be paid as much as NZ$4.30.

A key factor encouraging hopes for more stable prices is the prospect of eastern Europe becoming a net importer, following the political upheavals that disrupted the dairy market so badly last year, says Mr Spring.

In East Germany, for example, the communist regime had paid 60 per cent more than a West German dairy farmer received, yet consumer subsidies meant that customers paid 60 per cent less for dairy goods in the shops. The consumer subsidies were removed first and that led to huge rises in the cost of dairy goods, forcing domestic consumption to fall. Then the central buying agencies collapsed and hundreds of small companies began exporting at very low prices.

Other encouraging factors include the 2 per cent cut in EC milk production quotas and the relative strength of the US dollar, in which the bulk of the world's dairy trade is conducted.

Mr Spring warns, however, that the international dairy market is still extremely fragile. Worries remain about the continued overproduction of dairy goods by countries that subsidise production heavily – New Zealand's farmers are alone in receiving no government incentives at all. World production of milk is running 6m tonnes ahead of annual demand and if the EC or the US attempt to unload the 750,000 tonnes of butter and 600,000 tonnes of skim milk powder they have in store there will be further massive disruptions.

Overall, however, Mr Spring thinks the New Zealand industry is in good heart. It has sold all last season's production, and recent falls in domestic interest rates are easing the burden on indebted farmers. A 1 per cent drop saves the dairy sector $NZ30m a year in interest payments, and so far this year rates have fallen by up to 4 per cent.

Over the past decade New Zealand has increased dairy export receipts by more than NZ$600m a year, in spite of the present depressed prices, and increased the volume of products sold in value-added terms – premium bulk products, specialised customer or food ingredient products or consumer packs – to 250,000 tonnes a year.

New Zealand's branded consumer dairy products are now selling in 60 counties, assisted by board marketing operations in 21 of these. Wholemilk powder and infant formula production had risen from 85,000 tonnes in 1981 to 250,000 tonnes last year.

The board will continue to keep a high profile in Britain, Mr Spring says. Anchor New Zealand cheese is now the leading brand in the UK, earning a premium of 20 per cent over the UK commodity cheese price. And the board chairman expects to catch competitors napping with the imminent launch of an extremely spreadable butter on the UK market. This is a premium high-technology product which has been developed in New Zealand, and because of its high cost will only be sold in the UK at this stage. "Sure we have an edge there," says Mr Spring. "But it won't be for very long: our competitors will be close behind."

These developments are helping compensate the board for the drop in its UK quota from 180,000 tonnes to 55,000 tonnes over the past decade. Success in alternative export markets is also making a significant contribution. Today the board is the biggest supplier of branded milk powder in Sri Lanka and Malaysia and number two in Taiwan. And it is the top supplier of butter and second largest supplier of cheese in most of South East Asia. Good progress is also reported in the Middle Eastern and South American markets.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold moved higher on the London bullion market, boosted by short covering ahead of today's Thanksgiving Holiday in the US. Sentiment was also lifted by comments on the US Cable News Network from the Russian foreign minister that conditions probably existed for a coup in the Soviet Union. His remarks followed renewed warnings by Soviet foreign minister Eduard Shevardnadze in the morning of the possibility of a coup. Comex gold futures were higher at midday. "(The precious metals) are so skittish that anything anyone says right now is going to move them," said one analyst. London robusta coffee prices rose steeply on sustained trade buying. There was no fundamental news behind the rally other than continued concern over near-term supplies, dealers said. The premium for January over March widened to £29 a tonne. Nearby tightness in the LME copper market also widened the premium for cash metal over three-month to £47.50 a tonne from Tuesday's £32.50. With a large December options position still open and due for declaration next week, dealers are reluctant to go short. The market closed firmer as sterling eased against the dollar, although dollar copper prices were easier.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.80-6.90q	-.075
Brent Blend (dated)	$19.55-9.70	-.025
Brent Blend (Jan)	$19.80-9.90	-.05
W.T.I. (1 pm est)	$21.15-1.25q	-.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$224-226	-5
Gas Oil	$194-195	
Heavy Fuel Oil	$82-83	-1
Naphtha	$201-204	-2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.45	+1.65
Silver (per troy oz)♣	411.0c	+4.5
Platinum (per troy oz)	$368.9	+0.6
Palladium (per troy oz)	$83.85	
Copper (US Producer)	109.05c	+0.64
Lead (US Producer)	37.37c	
Tin (Kuala Lumpur market)	14.67r	
Tin (New York)	253.5c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.09p	+0.27*
Sheep (dead weight)†	139.06p	-11.1*
Pigs (live weight)†	88.94p	-0.99*
London daily sugar (raw)	$227.5x	-1.0
London daily sugar (white)	$279.0x	-2.5
Tate and Lyle export price	£236.5	+1.0
Barley (English feed)	£126.0u	+0.5
Maize (US No. 3 yellow)	£145.0	+0.5
Wheat (US Dark Northern)	£101.0	
Rubber (Jan)♥	51.0 p	+0.50
Rubber (Feb)♥	51.25p	+0.50
Rubber (KL RSS No 1 Dec)	220.5m	-0.5
Coconut oil (Philippines)§	$800.0	+10
Palm Oil (Malaysian)§	$357.5	
Copra (Philippines)§	$380.0z	+7.5
Soyabeans (US)	£150.0	+1.5
Cotton "A" Index	61.80c	
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	187.00	187.00	187.00
Mar	192.20	195.00	194.80 192.20
May	193.20	195.80	193.40 193.00
Aug	196.00	199.00	196.00 194.80
Oct	195.00		195.00
Dec	193.00	196.00	192.00
White	Close	Previous	High/Low
Mar	277.5	280.2	279.0 277.1
May	278.6	280.7	279.8 278.3
Aug	282.6	284.2	283.5 281.8
Oct	282.0	282.2	283.1 280.5
May	281.5	281.2	281.8

Turnover: Raw 284 (509) lots of 50 tonnes. White 596 (451)
Paris- White (FFr per tonne): Mar 1584.91, May 1578.94

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jan	19.92	19.63	19.99 19.70
Feb	19.70	19.55	19.84 19.66
Mar	19.60	19.45	19.68 19.51
Apr	19.50	19.30	19.50 19.40
May	19.38	19.25	19.38
Sep	19.12	19.15	19.12
IPE Index	19.96	20.06	19.96

Turnover 17682 (23488)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Dec	193.00	192.50	193.00 188.75
Jan	194.50	194.00	194.50 191.50
Feb	192.50	191.75	192.75 190.00
Mar	187.75	186.50	188.00 186.00
Apr	181.25	180.00	182.00 180.00
May	176.00	175.00	176.75 176.00
Jun	174.25	173.50	174.25 174.00
Jul	174.75	172.00	174.75 174.00
Aug	176.75	175.50	176.50 176.00

Turnover 18278 (17232) lots of 100 tonnes

WOOL

Prices paid for wool in Australia are still tending firmer. This particularly applies to the middle and broader categories which incidentally comprise the bulk of the Australian stockpile. The price of fine merinos is still irregular and not rising at the moment. Steady and firmer prices are helpful to trading confidence in the longer term, but just at present business further down the line is not very buoyant. The Australian Wool Corporation's market indicator reached 588 on November 27, which compares with 580 cents at the start of the 1991-92 selling season on July 30

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	721	714	720 712
Mar	761	752	761 750
May	783	775	784 773
Jul	808	798	807 799
Sep	831	821	831 822
Dec	858	848	857 850
Mar	884	874	884 883
May	901	891	899 894
Jul	917	905	911
Sep	934	922	934 929

Turnover: 13483 (7550) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.25 940.80 (936.59) 10 day average for Nov.27 955.78 (955.21)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Nov	587	564	588 572
Jan	599	578	600 583
Mar	570	552	570 558

Turnover: 7914 (3058) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.26: Comp. daily 64.83 (65.01) 15 day average 64.62 (64.51)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	127.4	128.7	128.4 127.2
May	145.0		145.0

Turnover 138 (62) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	129.00	128.30	129.00
Jun	123.00	121.50	123.00

Turnover 55 (50) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Nov	1602	1600	1605 1600
Dec	1630	1627	1630 1611
Jan	1660	1672	1660 1651
Apr	1660	1668	1669 1655
BFI	1599	1600	1599

Turnover 224 (76)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	124.90	124.65	125.40 124.90
Mar	128.15	128.00	128.70 128.20
May	131.10	130.85	131.65 131.05
Jun	132.70	132.45	132.90 132.80
Barley	Close	Previous	High/Low
Jan	119.45	119.35	119.60 119.50
Mar	122.60	122.50	122.75

Turnover: Wheat 609 (447), Barley 116 (259).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Jan	105.5	105.0	105.5 105.0
Feb	105.1	106.0	105.5 105.0
May	109.0	110.0	109.5 109.0
Jun	109.0	110.0	110.0 109.0

Turnover: 77 (33) lots of 3,250 kg

MGMI – London FOX				
	Close	Prev.	High	Low	Vol
Indx	135.46	135.58			

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,585 lots
Cash	1108-9	1111-2		1110-0.5		
3 months	1135-6	1138-9	1140/1135	1137-7.5	1134-5	137,529 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,857 lots
Cash	1366-8	1333-5	1370/1365	1366-7		
3 months	1319-20	1301-2	1320/1305	1320-1	1317-8	112,160 lots
Lead (£ per tonne)						Total daily turnover 2,130 lots
Cash	287.5-8	287-7.5	287.5/286.25	286-6.25		
3 months	298-9	297.5-7.75	299/297	297.25-7.50	297.5-8.5	14,854 lots
Nickel ($ per tonne)						Total daily turnover 6,440 lots
Cash	7195-205	7155-65	7115	7115-20		
3 months	7220-3	7220-5	7223/7175	7190-5	7220-5	19,150 lots
Tin ($ per tonne)						Total daily turnover 1,000 lots
Cash	5470-80	5500-10		5475-85		
3 months	5525-30	5550-60	5540/5520	5530-5	5510-20	4,890 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,541 lots
Cash	1175-7	1178-80.5	1178	1175.5-6		
3 months	1172-3	1177-8	1176/1165	1173-3.5	1171-2	36,201 lots

LME Closing £/$ rate:
SPOT: 1.7670 3 months: 1.7428 6 months: 1.7212 9 months: 1.6995

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	368.20-368.70	
Opening	365.40-365.80	
Morning fix	366.50	206.770
Afternoon fix	367.10	207.480
Day's high	368.30/368.70	
Day's low	365.40/365.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.50	6 months	4.30
2 months	4.59	12 months	4.19
3 months	4.30		

Silver fix	p/fine oz	US cts equiv
Spot	231.10	409.75
3 months	237.15	414.65
6 months	243.30	419.70
12 months	255.40	429.80

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	367.00-368.00	207.50-208.00
Maple leaf	377.00-378.00	213.00-213.50
New Sovereign	89.50-90.50	50.50-51.00

TRADED OPTIONS				
Coffee	Jan	Mar	Jan	Mar
550	53	41	4	21
600	20	20	21	50
650	5	9	56	89
Cocoa	Mar	May	Mar	May
750	45	68	34	35
775	35	54	49	46
800	28	45	65	62
Brent Crude	Jan	Feb	Jan	Feb
2000	27	31	36	80
2050	13	36	88	108
2100	6	24	124	164

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Dec	367.9	366.3	368.6	366.8
Jan	369.6	367.9	0	0
Feb	371.2	369.3	372.0	369.8
Apr	373.7	371.8	374.5	372.2
Jun	376.2	374.2	377.0	374.9
Aug	378.8	376.8	0	0
Oct	381.3	379.3	0	0
Dec	384.0	382.0	384.5	384.0
Feb	386.8	384.8	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	371.9	367.0	372.3	368.5
Apr	374.5	369.6	374.5	372.0
Jul	376.9	372.1	0	0
Oct	382.9	378.1	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Dec	406.0	407.5	408.0	405.0
Jan	407.9	409.4	0	0
Mar	412.0	413.6	415.0	411.0
May	415.9	417.5	420.0	416.0
Jul	419.7	421.3	423.0	420.0
Sep	423.6	425.2	0	0
Dec	429.6	431.2	434.0	429.0
Jan	431.6	433.2	433.0	433.0
Mar	435.6	437.2	438.0	436.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	104.25	104.65	105.00	104.20
Jan	103.75	104.25	103.70	103.55
Feb	103.15	103.70	103.80	103.20
Mar	102.85	103.45	103.50	102.70
Apr	102.35	102.90	0	0
May	101.75	102.40	102.60	101.70
Jun	101.25	101.90	0	0
Jul	100.75	101.45	101.50	100.80
Aug	100.35	101.20	0	0
Sep	99.90	100.75	100.20	100.20

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	167.40	169.80	170.90	166.90
Mar	166.40	169.75	171.50	167.30
May	166.65	170.50	171.50	166.00
Jul	166.25	170.25	170.25	169.00
Sep	166.75	168.00	0	0
Nov	156.10	157.05	0	0
Jan	154.85	155.95	0	0
Mar	154.85	155.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	21.29	21.02	21.37	21.05
Feb	21.12	20.85	21.19	20.86
Mar	20.94	20.68	20.98	20.69
Apr	20.80	20.58	20.85	20.58
May	20.75	20.49	20.75	20.54
Jun	20.67	20.41	20.57	20.45
Jul	20.40	20.34	20.48	20.30
Aug	20.39	20.28	20.44	20.33
Sep	20.30	20.24	20.34	20.29
Oct	20.39	20.22	20.38	20.27

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	6195	6169	6195	6125
Jan	6310	6274	6325	6240
Mar	6040	5988	6050	5965
Jun	5490	5425	5505	5400
Jul	5480	5395	5480	5400

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1186	1178	1191	1165
Mar	1231	1225	1245	1218
May	1266	1254	1280	1258
Jul	1297	1291	1308	1287
Sep	1321	1317	0	0
Dec	1360	1354	1358	1353
Mar	1394	1388	0	0
May	1416	1410	0	0
Jul	1439	1433	0	0
Sep	1461	1455	1464	1455

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	79.00	77.75	79.10	77.75
Mar	83.80	83.25	84.55	83.15
May	86.10	85.75	87.05	85.90
Jul	88.25	88.30	89.50	88.25
Sep	91.15	91.15	92.00	91.15
Dec	96.00	95.25	95.25	95.00
Mar	96.00	96.60	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.92	8.92	8.94	8.81
May	8.83	8.86	8.90	8.77
Jul	8.77	8.83	8.87	8.77
Oct	8.79	8.83	8.87	8.77
Mar	8.74	8.79	8.76	8.77

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	57.70	57.00	58.00	57.00
Mar	59.40	58.92	59.55	59.00
May	60.50	59.90	60.55	60.05
Jul	61.28	60.70	61.30	60.90
Oct	63.30	62.60	63.30	63.10
Dec	63.75	63.27	63.75	63.50
Mar	64.94	64.50	65.00	64.95
May	65.36	64.92	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov.27	Nov.26	mnth ago	yr ago
	1639.0	1634.8	1659.4	1698.7
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.26	Nov.25	mnth ago	yr ago
Spot	118.03	118.15	117.94	125.46
Futures	122.48	122.54	119.70	126.71

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	563/6	563/2	565/2	563/0
Mar	571/0	570/4	572/4	570/0
May	577/0	576/4	578/6	576/0
Jul	584/4	583/6	586/0	583/4
Aug	586/0	586/0	586/6	586/0
Sep	583/0	582/4	585/4	583/0
Nov	586/0	586/2	586/6	584/4
Jan	595/4	594/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	19.08	19.04	19.18	18.98
Jan	19.21	19.17	19.32	19.23
Mar	19.54	19.51	19.65	19.46
May	19.86	19.78	19.91	19.77
Jul	20.13	20.06	20.22	20.05
Aug	20.32	20.23	20.34	20.25
Sep	20.35	20.35	20.40	20.35
Oct	20.36	20.36	20.45	20.35

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	177.8	177.2	177.7	176.8
Jan	176.3	175.7	176.4	175.3
Mar	174.7	174.6	175.3	174.1
May	174.4	174.3	174.8	174.0
Jul	175.5	175.4	176.1	175.2
Aug	176.0	176.2	177.2	176.0
Sep	176.5	176.3	177.0	176.0
Oct	188.7	188.5	189.0	188.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	239/4	239/0	239/6	238/2
Mar	248/4	249/0	249/6	248/2
May	255/2	255/4	258/2	255/0
Jul	260/2	260/4	261/0	260/0
Sep	257/4	257/0	258/4	257/2
Dec	254/4	254/0	255/2	254/0
Mar	261/4	261/2	262/4	261/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	369/4	364/2	369/4	363/0
Mar	369/4	365/0	370/4	361/0
May	351/4	350/2	363/0	347/4
Jul	326/2	323/6	326/4	321/0
Sep	331/0	329/0	331/0	329/0
Dec	343/0	341/0	343/0	341/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	73.52	73.77	73.90	73.50
Feb	74.57	74.62	74.77	74.50
Apr	74.32	74.32	74.50	74.27
Jun	70.80	70.95	71.00	70.75
Aug	68.85	69.00	69.15	68.85
Oct	69.12	69.20	69.40	69.12
Dec	70.50	70.30	70.50	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	42.07	42.15	42.40	41.92
Feb	42.52	42.65	42.90	42.42
Apr	40.45	40.60	40.60	40.27
Jun	45.57	45.65	45.85	45.45
Jul	45.67	45.70	45.75	45.45
Aug	44.45	44.45	44.50	44.45
Oct	41.12	41.07	41.12	41.05
Dec	42.00	41.92	42.00	42.00

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	39.00	39.32	39.65	38.80
Mar	38.57	39.27	39.45	38.70
May	40.00	40.82	40.45	39.80
Jul	40.67	40.85	40.67	40.20
Aug	39.00	39.27	39.85	39.00

LONDON STOCK EXCHANGE

Equities fall as selling pressure builds

By Terry Byland, UK Stock Market Editor

A NERVOUS UK stock market was further unsettled yesterday by reported warnings from Mr Eduard Shevardnadze, the Soviet Foreign Relations Minister, of the danger of another coup in Soviet Russia. Although the reports were greeted with some scepticism, they depressed a stock market also faced with more downgrades of company profits by City analysts and finally upset by the announcement from Maxwell Communication that its trading report, due today, would be deferred.

Impressed by Wall Street's performance overnight, UK equities opened firmer. But the initial gain of 0.8 on the Footsie proved to be the high of the day and share prices soon began to slide, in spite of a steadier tone in the currency markets.

Account Dealing Dates

*First Dealings:	Nov 11	Nov 25	Dec 9
Option Declarations:	Nov 21	Dec 5	Dec 23
Last Dealings:	Nov 22	Dec 6	Dec 27
Account Day:	Dec 2	Dec 16	Jan 6

*New-time dealings may take place from 8.30 am two business days earlier.

Shares turned off as traders reported that large lines of stock were coming on offer. A US insurance company was believed to be trying to sell a portfolio in London on its own initiative, having reportedly failed to make a deal with a London integrated securities house. A wave of large deals, transacted during the morning but reported later in accordance with Stock Exchange rules, flowed across the Seaq screen just before trading ended for the day.

Details of the transaction were obscured by the heavy list of overnight bed and breakfast, or tax-orientated deals, in which stock sold at the close of Tuesday's session was repurchased yesterday morning. A package of nearly 5m shares in Shell received this treatment.

Many of the international institutions concentrated on the auction of £1.5bn of UK government 20 year bonds, leaving the equity sector with even fewer players than earlier in the week. The reports of the Soviet Foreign Minister's comments on the situation in the Soviet Union, relayed to London from Tokyo, took further toll and by mid-session, the FT-SE Index was 26.6 down.

An attempted rally in the second half of the session was checked when Wall Street, after a slow start, showed a fall of 10 Dow points in UK hours, as it responded to economic statistics on US durable goods orders, personal income and employment.

The FT-SE Index ended the session a net 24 off at 2,447.5, bringing into focus the 2,431 mark challenged on Monday. Traders regard Footsie 2,425 as a testing level for the market.

Trading volume, as measured by the Seaq network, increased to 548.5m shares from 526.1m on Tuesday. Traders believed that perhaps 100m of the share total reflected tax-related activity, and said that genuine investment activity in the market yesterday had been somewhat higher than in recent sessions which have also been featured by substantial tax-related trading.

With US markets closed today for Thanksgiving Day, institutional investors in London were nervous of being left holding blue chip stocks, effectively until next Monday morning. For this reason, UK traders backed away from SmithKline Beecham as it fell heavily yesterday.

Among domestically-orientated issues, store and retail stocks failed to hold on to the gains achieved in the previous session, as worries regarding the Christmas season resurfaced. Bank stocks were badly unsettled at the close when the deferrment of the Maxwell Communication statement hit those banks known to be involved with Maxwell debt.

Heavy trade in MCC

NEWS that Maxwell Communication Corporation (MCC) was delaying its interim results statement prompted a sharp fall of 10 to 45p in the stock. MCC was one of the most actively traded Footsie stock with 12m shares dealt by the close, the highest turnover for more than a year.

The market had eagerly awaited the results statement, expected today hoping for signs of stability and an indication that operations were returning to normal following recent turbulence. One observer said afterwards: "There had been a slight return of confidence and that has been taken away again."

Most analysts are unprepared to forecast the results but there have been suggestions that they could be as low as £20m, once the recent sale of Pergamon Press is stripped out, compared with £90.1m at the same time last year. It is also widely feared that the dividend will be cut or even passed.

MCC is struggling under the burden of its own heavy debt and the private debt of the Maxwell family, which owns 68 per cent of the company's equity.

Mirror Group Newspapers eased 2 to 123p and shares in banks which have lent to Maxwell were down significantly.

NatWest hard hit

National Westminster was the most actively traded and worst performing stock in a weak banks area. The shares were damaged by worries about the deferred interim figures from the troubled Maxwell Communication Corporation and also by a swingeing profits downgrade instigated by Carr Kitcat & Aitken.

Mr Derek Chambers, banks analyst at Carr Kitcat, chopped his 1991 profits forecast for NatWest to £50m, down from £300m. Mr Chambers visited NatWest on Tuesday. The Carr Kitcat forecast is now by far the lowest in the market. Before the Carr Kitcat move the range of analysts' forecasts extended from £180m to the high £300ms.

Mr Chambers altered his figures after allowing for an increase in bad debts in the UK, which far outweighed an improvement in NatWest's overseas bad debts; a contraction in NatWest's balance sheet, which in turn reduced the bank's interest income; and increased restructuring costs in the UK.

Carr Kitcat raised the bad debt expectation by £150m to £1.85bn, cut the interest income figure by £80m and added £50m to his restructuring charge.

At the close, NatWest shares were 15 down at 298p, the first time the stock has dipped below 300p since July 12. Turnover was a heavy 6.1m.

Worries that the NatWest experience on the other big banks left Barclays 10 off at 375p on 5.5m traded, Lloyds the same amount down at 377p on 1.5m and Midland 6 weaker at 224p on 1.6m.

Lloyds Abbey down

UBS Phillips & Drew was behind a sharp slide in the Lloyds Abbey share price after the broker lowered its profits and dividend estimates.

The broker cited a steep increase in bad debts at Lloyds Abbey's Bowmaker Finance subsidiary as responsible for the reduction in estimates. Mr Youssef Ziai, life specialist at UBS, said Bowmaker, which has a £500m second mortgage book, was suffering from the big increase in house repossessions. He pointed out that second mortgage lenders were being hit by their absence of mortgage indemnity cover against repossessions over which second mortgage lenders have no control.

Mr Ziai lowered his current year prediction from £320m to £305m and that for next year from £390m to £360m. He cut his dividend estimates from 18p to 17½p and from 19½p to 18p respectively. Lloyds Abbey slipped 12 to 376p.

SmithKline weak

Pharmaceutical company SmithKline Beecham fell sharply on speculation that it had been forced to withdraw one of its most important drugs. At their lowest the A shares were off 22 before recovering to close 15 down at 776p on turnover of 2.4m.

The slide began after the company told US investors that it had decided not to continue with the development of its anti-ulcer drug Pantoprazole. This became confused with the company's headline anti-ulcer product Tagamet, which makes up about 25 per cent of SmithKline's pharmaceutical sales.

The stock had already drifted off 10p in London, with talk that one securities house was trying to place 500,000 shares. Then, there was heavy US selling when Wall Street opened. The confusion was compounded, according to one observer, because analysts were unable to contact the company's investor relations managers. However, the fall was checked by a newswire announcement that Pantoprazole was the drug in question.

Insurance broker Sedgwick came under sustained pressure for much of the session after Hoare Govett, the stockbroker, adopted a much more cautious line on the shares.

Sedgwick fell to 203p at one point, the lowest since October 17 last year, before stabilising and eventually ending a difficult session 9 off at 208p.

Mr Chris Hitchings, insurance broking analyst at Hoare, said that after Sedgwick recently announced third quarter figures he had warned that a decline in 1992 profits was likely. He mentioned a figure of between £65m to £70m as a worst-case outcome for 1992.

Willis Corroon, also unsettled by the Hoare warning on 1992 profits, dipped 5 to 244p after 240p.

Broker downgrades caused a flurry of selling pressure in BICC, the heavy electricals and contracting group, which settled 6 off at 322p, after 320p.

UBS Phillips & Drew was said to have reduced its 1991 profits forecast from £136m to £118m and that for 1992 from £165m to £130m. The downgrades were made to accommodate property writedowns.

Turnover in BAT Industries was boosted by a line of 2.2m shares traded at 612p and believed to be the second half of a tax-related "bed and breakfast" deal.

Relief that the bid for Hawker Siddeley has been successfully completed prompted BTR to rise 5 to 386p on healthy turnover of 5.7m.

Speculation that Laporte, the speciality chemicals manufacturer, may be a contender for the Footsie, prompted the shares to be marked up 9 to 593p on negligible turnover.

Hardy Oil & Gas gave the most impressive performance in the oils, adding 8 at 172p ahead of a presentation by the company to the London Oil Analysts Group. Oil specialists attended the British Independent Oil Explorers dinner in London last night.

Kwik Save stole the limelight in food retailers and raced up 26 to 689p, with analysts impressed by the better than expected 19 per cent jump in preliminary profits.

Ratners was affected by yet more profits downgrades — Goldman Sachs was said to have lowered its current-year figure to £36m from £45m and forecast that the jewellery retailer would pass its final dividend. The stock fell to 48p before settling a net 4 off at 50p on heavy turnover of 5.5m.

The long-running merger talks between Rosehaugh and Stanhope, the loss-making property companies responsible for some of the largest developments in London, continued, with some analysts believing that progress had been made. Stanhope advanced 6 to 42p but Rosehaugh receded 1 to 11p.

Great Portland Estates dipped 9 to 189p. Worries persisted that any acquisition the group may be considering following its recent £100m debenture issue would dilute the company's stock.

Repercussions of a rumoured revision of the leisure sector by a leading broking house dragged down Ladbroke Group. The stock fell 8 to 248p on reports that the house had shaved its profits forecast by £10m to £290m.

Rank Organisation was unsettled after a 1.4m-share placing by S.G. Warburg which left the stock 12 adrift at 652p. Analysts said the move attracted little buying interest ahead of the company's results, which are expected in the New Year. Worries also persist about Rank's gearing.

Vickers receded 7 to 150p after Smith New Court reduced current-year profits and dividend expectations. The broker cited further weakness in Vickers' Rolls Royce Motor division.

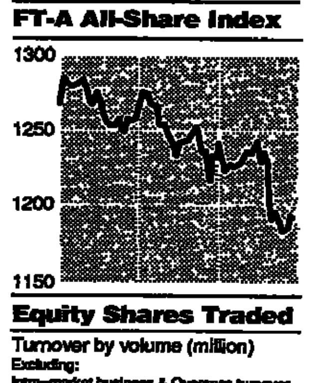
The bear squeeze in TI Group during Tuesday's session was filled and the shares retreated 11 to 562p.

Hambros Bank's first-half figures were above market expectations and triggered good support for the shares, which moved ahead 12 to 270p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

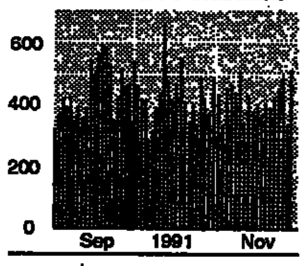
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 19.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

[illegible]

FINANCIAL TIMES STOCK INDICES

	Nov 27	Nov 26	Nov 25	Nov 22	Nov 21	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.76	85.66	85.68	85.88	86.48	81.90	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.44	95.36	95.42	95.66	96.20	89.48	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1867.9	1887.7	1876.3	1866.8	1888.9	1686.2	2108.3 (2/9)	1806.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	170.6	172.2	174.2	169.0	157.8	158.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2447.5	2471.5	2456.2	2446.3	2463.5	2144.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1114.19	1125.86	1110.51	1113.89	1119.14	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.98	4.94	4.97	5.23	5.18	5.72				
●Earning Yld %(full)	7.39	7.33	7.40	7.49	7.41	11.99				
●P/E Ratio(Net)(☆)	17.03	17.17	17.00	16.82	16.98	10.08				
SEAQ Bargns 4.45pm	21,898	24,038	23,559	30,035	24,905	21,960				
Equity Turnover(£m)†	-	1056.02	853.86	1021.64	958.22	738.50				
Equity Bargains†	-	23,862	22,458	29,490	23,970	20,319				
Shares Traded (ml)†	-	516.3	340.5	502.1	456.3	324.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31-12-83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.05. † Partial

Ordinary Share Index, Hourly changes Day's High 1886.4 Day's Low 1863.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1886.4	1878.8	1872.0	1865.6	1869.2	1868.9	1869.0	1871.1	1870.6

FT-SE 100, Hourly changes Day's High 2472.3 Day's Low 2444.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2472.3	2464.8	2454.2	2447.4	2450.4	2450.4	2450.5	2453.2	2451.0

FT-SE Eurotrack 200, Hourly changes Day's High 1117.80 Day's Low 1110.88

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1117.55	1116.74	1114.70	1115.15	1114.64	1114.28	1116.30

GILT EDGED ACTIVITY

Indices*	Nov 26	Nov 25
Gilt Edged Bargains	89.3	90.3
5 – Day average	87.3	87.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	196	313	-10
ASDA Group	2,100	39	
Abbey National	1,000	272½	-1½
Albert Fisher	804	88	
Allied-Lyons	1,400	599	-8
Amstrad	1,200	31	-1
Anglian Water	1,300	338	-4
Argos	329	294	+6
Argyll Group	4,600	393	+2½
Arjo Wiggins	1,300	261	+1
[illegible]			
British Telecom	3,600	349	+1
Bunzl	458	85	
Burmah Castrol	1,000	550	-1
Burton	848	39	-1½
Cable & Wire	1,300	542	+4
Cadburys	1,200	407	+2
Calor Group	178	331	-2
Carlton Comms.	431	485	
Coats Viyella	2,500	172	-5
Comm. Union	389	452	-10
Cookson	882	103	+4
Courtaulds	458	470	
Dalgety	175	371	
De La Rue	83	437	+1
Dixons	2,500	214	-8
ECC Group	72	458	-3
Eastern Elect	375	231	-5
East Midland Elec.	789	240	-4
Enterprise Oil	372	519	-3
Eurotunnel Units	774	398	-2
[illegible]			
Kingfisher	601	513	-1
Ladbroke	2,200	248	-8
Land Securities	397	498	-4
Laporte	310	593	+9
Legal & General	362	378	-6
Lloyds Abbey	808	376	-12
Lloyds Bank	1,500	377	-10
LASMO	888	282	-3
London Elect	245	242	-4
Lonrho	3,700	228	-2
Lucas	2,000	121	-3
NB Caradon	1,800	240	
MEPC	78	454	-3
Manweb	130	297	
Marks & Spencer	2,300	285	-3
Maxwell Comms	16,000	45	-10
Midland Bank	3,100	224	-6
Midlands Elect	678	253	-1
NFC	187	229	
NatWest Bank	6,100	299	-15
[illegible]			
Ryl Bk Scotland	3,500	189	-4
Royal Insurance	1,400	274	-13
Saatchi	1,700	13¼	
Sainsbury	2,100	335	
Scottish & New	608	396	+2
Scot. Hydro-Elect.	256	103	-1
Scottish Power	1,800	101	-1
Sears	2,300	100	
Sedgwick	2,600	208	-9
Seeboard	33	257	-2
Severn Trent Water	1,700	326	-3
Shell Transport	11,000	497	-4½
Siebe	59	487	-2
Slough Ests	1,900	239	+2
Smith (W H) A	770	455	-6
Smith & Nephew	715	135½	-1½
SmKl Beecham	2,400	776	-15
SmKl Beecham Uts	291	1409	-83
Smiths Inds	670	250	
Southern Elect	58	242	-3
[illegible]			
Vodafone	1,200	357	-4
Wellcome	324	843	-15
Welsh Water	347	366	-2
Wessex Water	104	385	-2
Whitbread 'A'	1,400	433	-4
Williams Hldgs	743	310	-2
Willis Corroon	1,400	244	-5
Wimpey	31	149	-1
Yorkshire Elect	176	282	-3
Yorkshire Water	175	389	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

REPORTS FROM the Soviet Union yesterday of the danger of another coup halted a strong advance in Footsie futures, writes Joel Kibazo.

The December contract saw strong buying early in the day, pushing the premium over the underlying cash market to around 20, with sentiment boosted by the firm overnight Wall Street close.

December's advance was, however, halted by the news from the Soviet Union, attributed to Foreign Minister Mr Eduard Shevardnadze. The contract fell back for the rest of the session, leading the underlying cash market lower.

News of better than expected US durable goods figures, together with favourable employment data mid-afternoon, only served to slow the decline. At the close, December stood at 2,465, down 24 on the previous session and some seven points above its estimated fair value premium to cash of 11.

In the LTOM, sentiment remained dull and turnover fell to 20,758. Scottish Power was the busiest stock option with a day's total of 5,270 contracts, boosted by a closing trade from a leading house. This was followed by BP, which traded 1,729 contracts. Kingfisher, Glaxo and Dixons were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
Treas 8¾pc 1996-98‡‡		87¼		88⅞	80⅝	7.74	9.45
15½pc '98‡‡		125⅞	+⅛	128¼	121¾	12.34	10.21
Exch 12pc 1998		109⅛	+⅛	111⅞	104⅞	11.00	10.15
Treas 9½pc 1999‡‡		98	+⅛	100½	92⅞	9.69	9.90
Exch 12¼pc 1999		110⅝	+⅛	113⅝	105⅞	11.07	10.16
Treas 10½pc 1999		102⅞	+⅛	104⅞	97⅞	10.20	10.05
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
Index - Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	123		123⅝	115⅞	2.54	2.54
2pc '96	(67.9)	177¼		177⅞	168⅞	3.37	3.37
2½pc '01	(78.3)	144⅞	+⅛	145⅝	137⅞	3.90	3.90
2½pc '03	(78.8)	140⅞	+⅛	141⅞	133	3.98	3.98
[illegible]							

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Man for the Pru

Keith Bedell-Pearce, who is probably the only executive with a double-barrelled name to have led the Prudential's 13,000 strong direct sales-force, has been appointed a director of PRUDENTIAL Corporation.

As the youngest man on the board of Britain's biggest insurance company, the 45-year-old Bedell-Pearce has risen quickly through the ranks. His latest promotion confirms suspicions among many analysts that he could be a future chief executive.

A graduate of Exeter University and Warwick Business School, Bedell-Pearce qualified as a solicitor in 1978. But his reputation in the Pru has not been made on the legal side. He first made his mark as marketing director of Prudential Portfolio Managers where be was instrumental in the Pru's entry into both the segregated pension fund and unit trust markets. The Pru now has around £9bn in segregated funds and Bedell-Pearce and his team are credited with attracting more money into the Pru than ever before.

More recently, he has been the architect of the substantial reorganisation of the group's Home Service Division, the Pru's biggest and most important UK business. This involved the role of the traditional agent, the famous "Man from the Pru". In a bid to improve the overall performance of the group's direct sales-force, arguably its biggest asset, the Pru has split it in two - 6,000 customer service representatives and 3,000 financial consultants.

At the beginning of 1991 he was put in charge of the group's other big UK business - Prudential Financial Services. Covering areas such as corporate pensions, specialist life and personal pensions, he has the job of increasing the group's share of the independent financial adviser market which is currently around 3 per cent.

Hawker boarded

BTR, the UK industrial conglomerate, has moved swiftly to take control at HAWKER SIDDELEY after winning a £1.55bn takeover battle for the electrical engineering group last week.

Integration of the two groups will be led by Robert Faircloth, who was appointed BTR's chief operating officer this week and now joins the board of Hawker.

Sir Owen Green, chairman of BTR, succeeds Sir Peter Baxendell as chairman of Hawker and Alan Jackson, BTR's chief executive, will take over as md of Hawker from Alan Watkins. Kathleen O'Donovan, BTR's finance director, also joins the Hawker board.

Sir Lindsay Alexander, Sir James Hamilton, Christopher Hampson and Quinton Hazell have resigned as non-executive directors of Hawker.

■ VALLOUREC UK has appointed Alan Wellan as its md.

■ Bob McLellan has been promoted to personnel director of SCA PACKAGING.

■ THOMSON HOLIDAYS announces the promotion of Claire Wilson as md of its subsidiary Portland Holidays.

■ BOWATER announces the appointment of Delmund Penney as sales director of Welton Packaging's retail plastics division.

■ David Till is appointed a director of MUELHENS Ltd.

■ Ayman Ashour has been appointed international industrial marketing director of PSI, part of Williams Holdings. He was international regional director of Thorn Security.

■ John Callaghan, chief executive of FYFFES, has been co-opted to the board.

■ CENTRAL MOTOR AUCTIONS has appointed Chris Robinson finance director of its Operations subsidiary.

■ Roger Colvin, formerly finance director of NOBO, has been promoted to chief executive to succeed Colin Smith, who has left the group.

■ John Perry has been appointed md of WESTLAND ENGINEERING.

■ TM GROUP has appointed Richard Callwood md of ISS, the result of merging its ISS and VTS operations.

■ FKI has appointed Tony Deeming md of Clarkson International Tools.

■ Anthony Jacobus is appointed director of finance and funding of THE GAME CONSERVANCY; he moves from Banque Indosuez.

■ Paul Kelly has been appointed md of GESTETNER.

■ Customs and Excise has appointed two commissioners to its nine-member board. Leonard Harris returns from a spell at the Treasury where he headed the personnel policy group, to oversee technical policy concerning VAT and excise duties, with effect from 16 December. Lis Woods takes over from Diana Seaman as director of VAT control. She was previously an under-secretary at the department of social security in charge of the finance division.

PUBLIC WORKS LOAN BOARD RATES

Effective November 27

Years	Quota loans* EPT†	Quota loans* A††	Quota loans* maturity§
1			10⅝
Over 1 up to 2	10⅝	10⅝	10⅝
Over 2 up to 3	10⅝	10⅝	10⅝
Over 3 up to 4	10⅝	10⅝	10⅝
Over 4 up to 5	10⅝	10⅝	10⅝
Over 5 up to 6	10⅝	10⅝	10¾
Over 6 up to 7	10⅝	10⅝	10⅞
Over 7 up to 8	10⅝	10⅝	10⅞
Over 8 up to 9	10⅝	10¾	10⅞
Over 9 up to 10	10¾	10⅞	11
Over 10 up to 15	10⅞	11	11
Over 15 up to 25	11	11	10⅞
Over 25	10⅞	10⅞	10⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest) § With half-yearly payments of interest only

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1991 high	low	Yld Gr's	NAV	Dis or Pm(-)
Sphere Inc	21	—	30	20½	34.5	24.0	14.7
Zero Div Pf	67	+½	68½	58¾	—	—	—
Warrants	3½	—	9½	3½	—	—	—
Strata	149	—	164	104	1.2	177.4	16.0
Stratton	146	—	160	120	1.7	179.0	17.3
TR City of Lon	113¼	-½	121¼	90	5.4	110.8	-2.2
TR Euro Growth s	94	-1	104	78	1.4	96.6	1.7
Ptg Sub s	55	—	58	40	2.4	—	—
TR Far East Inc	82xd	-1	94	56	6.8	92.1	10.9
Warrants	17	—	22	12	—	—	—
TR High Inc H	104	—	115	85	7.7	97.8	-6.6
Sub g	39	—	35	24	4.1	—	—
TR Pacific	68	—	82	49	0.5	80.0	15.0
TR Prop	28	—	37	27½	7.1	36.1	22.3
TR Smaller	141	-2	155	98	3.5	149.9	5.8
TR Technology s	47	—	52	20	0.8	96.9	50.7
Stepped Pf	90¾	-½	94½	70½	8.1	—	—
Zero Pf	155½	—	156½	117½	—	—	—
Temple Bar †	259	-2	270	210	6.1	277.3	6.3
8pc 2002	£111½	—	£111½	£102½	8.4	—	—
Temple Bar Mkts	170	—	173	92	0.6	165.0	-3.0
Warrants	60	—	68	27	—	—	—
7pc Cv 2001	£184½	—	£187½	£90½	0.5	—	—
Thornton Asian	59	-1	72	55	1.1	69.5	13.6
Warrants	11	—	18	9	—	—	—
Thornton Pan Euro	27	—	31	25	4.3	30.9	12.5
Warrants	5	—	10	5	—	—	—
Throg Dual Inc	102	—	109	93	11.4	—	—
Cap	343	—	360	260	—	650.5	48.0
Throgmorton	50	—	64	45½	5.7	68.7	27.2
Warrants	18	—	28	16	—	—	—
Throg USM	105	—	110	81	4.6	128.5	17.0
Warrants	20	—	27	14	—	—	—
Tor Inc	500	-2	503	400	10.2	—	—
Cap	665	—	735	585	0.7	1083.0	38.4
Tribune	239	—	266	189	3.3	275.1	13.1

MISCELLANEOUS - Cont.

Notes	Price	+ or -	1991 high	low	Mkt Cap£m	Yld Gr's	P/E
Business Tech ‡	39	—	90	27	8.71	‡	3.8
CRT	127	—	128	71	78.6	1.6	23.5
Calderburn †	147	—	186	98	30.4	7.0	11.9
Carlton ◆	250	—	250	165	32.4	3.8	18.1
Cassidy Bros	48	—	65	35	2.59	4.2	10.7
Christies Intl	144	—	203	141	226.8	7.7	9.8
Classic Thrds	2½	—	6	2	1.09	—	—
Colefax & F	61	—	66	34	16.1	5.7	13.2
Copymore †	48	—	63	33	5.21	6.9	9.7
Cornwell P'ker A	181	-1	193	117	79.9	3.8	14.4
Cosalt	147	—	168	116	18.5	10.2	◆
Cowan de Grt	17	—	22	8	4.44	—	—
Cresta	38	—	42	28	30.8	7.4	4.0
Danka Bus Syst †	178xd	—	186	120	67.8	2.2	7.2
Delaney	7	—	18	5	2.76	—	—
Dinkie Heel	12xd	—	18	11½	1.80	10.6	7.5
Dudley Jenkins	91	—	107	91	6.61	5.9	—
EFG ‡	15	—	33	11	2.35	‡	—
EW Fact †	115	-2	130	92	8.86	4.5	12.4
Ebief	23	—	27	13	2.92	2.9	—
Erskine House	61	—	65	37	36.6	11.3	5.1
7¼pc Cv Pf	58	—	62	33	16.6	16.7	—
Eurocopy	92	—	100	78	44.3	6.8	7.1
Excalibur	52	—	66	39	31.8	4.6	7.0
Expeditor ‡	10	—	47	8	4.80	‡	—
Faber Prest	210	—	243	125	17.5	7.8	8.5
Fairway (Lon)	63	—	70	37	10.5	6.3	13.9
FII	440	—	441	340	60.8	3.9	11.9
Fitzwilton g	60	—	60	50	73.7	7.0	8.1
Flagstone	1⅝	—	4½	1¼	2.40	—	—
Fogarty	215	-5	225	175	50.5	4.4	10.5
Futura ‡	48	—	97	45	1.70	‡	—
Gestetner †	148	+14	240	117	202.1	7.2	4.1
Global †	9	—	28	8	18.8	7.4	4.5
GR Southern †	240	—	260	185	31.8	4.6	16.9

OIL & GAS - Cont.

OTHER FINANCIAL

PACKAGING, PAPER & PRINTING - Cont.

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MINES - Cont.

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MISCELLANEOUS

PACKAGING, PAPER & PRINTING

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices ar[illegible] and 38p off peak, inc VAT.[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.75	49.75xd	50.24	+0.01	10.6
Cntrld Priformce	5½	47.77	48.04	51.24	+0.03	9.39
Ethical	5½	48.13	49.13	52.27	-0.06	4.85
European Growth	5½	45.90	45.98	49.04	+0.3	3.20
Income	5½	45.51	45.98	49.04	+0.18	7.76
Intl Growth	5½	62.52	62.44	66.60	+0.29	3.42
Managed	5½	56.51	56.64	60.42	-0.04	4.69
UK Growth	5½	50.01	50.01	53.34	-0.19	5.63
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	188.4	190.5	198.4	-1	3.10
Do Income	3	179.8	181.9	189.4	-0.9	3.10
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	34.75	34.75	36.93	+0.2	2.64
UK Equity Gth Acc	5½	46.63	47.49	50.46	+0.4	2.25
UK Eq High Inc Inc	5½	30.41	31.10xd	33.05	+0.1	6.21
UK Eq High Inc Acc	5½	34.20	34.97	37.16	+0.2	6.21
UK Equity Gen Acc	5½	44.48	45.41	48.25	+0.3	3.56
UK Equity Gen Inc	5½	34.96	35.53	37.76	+0.2	3.56
UK Larger Cos Acc F	7½	292.2	296.2	321.4	+2.4	4.76
UK Larger Cos Inc F	7½	235.3	238.5	258.8	+2.0	4.76
Gilt & Fxd Int Inc	5½	27.11	27.18xd	28.75		7.84
O'seas Lrgr Cos Acc F	7½	203.8	207.9	225.6	+0.8	2.27
Nth American Acc	5½	32.33	32.80	34.94	+0.2	0.87
Far East Acc	5½	39.53	40.50	43.04	-0.1	0.03
European Acc	5½	32.78	34.43	36.59	+0.3	1.69
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
America ψ	5	266.8	266.8xd	285.4	+0.9	0.90
(Accum Units) ψ	5	314.0	314.0	335.9	+1.1	0.90
British	5	795.1	805.1	851.7	-3.6	6.09
(Accum Units)	5	1306.3	1322.7	1399.3	-5.9	6.09

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Nov 14	496.08	499.74xd		2.83
Gross Nov 14	185.47	186.97		10.43
High Yield Nov 14	291.83	294.17		7.48
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pension Mngd	50.74	51.8xd	-0.25	3.93
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1136.0	1225.0		-
Mngd Pens (Acc)	65.2	69.5		-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2602.0		6.00
Inc Gth Prp Apr 16	£1375.0	1460.0		7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 27	£3974.5	4147.7	-6.70	3.94
European Nov 27	£540.9	546.9	+1.90	2.08
American Nov 27	£330.5	333.7	-0.40	2.43
Japan Nov 27	£479.0	484.5	+1.8	1.34
Pacific Nov 27	£136.4	140.1	+2.00	1.98
W Midlands Sep 30	£147.60	164.90		2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Oct 31	193.25	197.20		7.85
Equity Oct 31	896.05	908.60		3.97
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Nov 26	100.87xd			10.60
(Accum Units)	595.05		+0.5	10.60
NAACIF Nov 26	40.67xd		-0.5	9.67

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INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104.6	110.1	—	-
Pension Managed Fd	102.9	108.4	—	-
Life Deposit Fd	110.9	116.7	—	-
Pension Deposit Fd	117.6	123.8	—	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	166.2	179.9	+2.3	-
UK Equity	173.2	182.4	+1.4	-
Overseas Equity	131.0	137.9	+0.2	-
Fixed Interest	154.3	162.5	-1.2	-
Property	132.9	139.9	+3.9	-
Index Linked	152.1	160.2	-0.5	-
Deposit	164.4	173.1	+0.7	-
With Profits (II)	134.5	141.6	+0.2	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	345.8	364.1	-1.1	-
UK Equity	432.9	455.7	-3.6	-
Overseas Eq.	331.8	349.3	+0.9	-
Americas	276.3	290.9	+2.7	-
Far East	356.3	375.1	+1.2	-
Property	194.0	204.3	+0.1	-
Fixed Int.	270.7	285.0	+0.4	-
Indexed Gilt	161.6	170.2	+0.1	-
Deposit	188.1	198.0	+0.1	-
With Profit	105.1	110.7	+0.1	-
Pension Fund (Accum Units)				
Managed	498.9	525.2	-1.5	-
UK Equity	587.1	618.1	-5.2	-
Overseas Eq	398.7	398.2	+2.9	-
Americas	347.0	365.3	+5.2	-
Far East	582.0	612.7	+2.4	-
Property	247.5	260.6	+0.1	-
Fixed Int.	336.5	354.3	—	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	222.0	234.2	(z)	-
UK Fixed Int Acc.	187.5	197.8	(z)	-
Intl Equities Acc	168.5	177.8	(z)	-
UK Managed Acc	172.0	181.4	(z)	-
Property Acc.	225.5	237.9	(z)	-
Money Acc.	133.8	141.2	(z)	-
Special Market Acc.	143.3	151.2	(z)	-
Japan Equity Acc.	96.5	101.8	(z)	-
North American Acc.	96.2	101.5	(z)	-
Pacific Acc.	92.1	97.2	(z)	-
Technology Acc.	115.6	122.0	(z)	-
Nat. Resources Acc.	56.7	59.9	(z)	-
European Acc.	98.0	103.4	(z)	-
Residential Prop Acc.	90.6	95.6	(z)	-
Swiss Equities Acc.	32.2	34.0	(z)	-
Hong Kong Acc.	68.7	72.5	(z)	-
UK High Inc Eq Acc.	71.6	75.6	(z)	-
Int Fixed Interest Acc.	60.4	63.8	(z)	-
Int Managed Acc.	55.3	58.3	(z)	-
HSP Managed Acc.	115.5	121.8	(z)	-
HSP Managed B Acc.	99.3	104.7	(z)	-
HSP Managed (I) Acc.	107.4	113.2	(z)	-
Total Investment Bond				
UK Equity Initial		150.5	(z)	-
UK Fixed Int Initial		127.4	(z)	-
Intl Equities Initial		123.5	(z)	-
UK Managed Initial		116.8	(z)	-
Property Initial		154.2	(z)	-
Money Initial		91.3	(z)	-
Special Market Initial		111.0	(z)	-
Japan Equity Initial		74.7	(z)	-
North American Initial		74.5	(z)	-
Pacific Initial		71.2	(z)	-
Technology Initial		89.4	(z)	-
Nat Resources Initial		43.9	(z)	-
Eurobond Initial		87.5	(z)	-
Residential Prop Init.		84.3	(z)	-
Swiss Equities Initial		30.7	(z)	-
Hong Kong Initial		65.4	(z)	-
UK High Inc Eq Init.		68.2	(z)	-
Int Fixed Interest Init.		58.3	(z)	-
Int Managed Init.		53.5	(z)	-
HSP Managed Init.		111.9	(z)	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

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Baring International Fd Mngrs (Ireland) Ltd	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$17.16	18.02	-0.08	1.05
Japan Tech	$57.98	60.88	-0.16	-
Japan Fund	$24.46	25.69	-0.16	0.17
Japan New Gwth Fd	$18.46	19.39	-0.12	-
Malay Sing	$54.35	57.07	-0.11	0.31
Nth American	$21.46	22.54	+0.08	0.59
Octopus Fund	$21.98	23.08	-0.11	0.88
Pacific Fd	$62.21	65.33	-0.13	-
International Bond	$17.73	18.62	+0.06	6.89
Europa Fund	$13.55	14.23	+0.09	-
British Screen Fd	£0.91	0.96	----	-
Tristar Warrant	$11.16	11.72	-0.09	-
Hong Kong	$52.17	54.78	-0.48	3.09
Mngd Portfolio (Stlg)	£4.04	4.35	----	-
Mngd Portfolio (Dlr)	$10.15	10.78	----	-
Currency Fd-Sterling	£19.70		+0.01	-
Currency Fd-US Dollar	$15.47		+0.01	-
Curr Fd-Deutschemark	DM40.90		+0.02	-
Curr Fd-Managed $	$46.05	48.35	+0.04	-

Federated International Funds Plc
Federated Short-term US Gov't Securities Fund

Institutional Svc Series*	$1.00		----	4.61
Investment Series*	$1.00		----	4.58

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied-Dunbar Intl Fund Mgrs (1600)F	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lord Street, Douglas, IoM 0624 661551						
ADI Sterling (z)	5	0.5763	0.5763	0.6137	[illegible]	1.34
ADI Mgd Currency (z)	5	0.4094	0.4094	0.4222	[illegible]	5.42
ADI W'wide Eqty (z)	5	0.6434	0.6434	0.6852	[illegible]	1.12
ADI Nth Amer Gth (z)	5	0.7604	0.7604	0.8098	[illegible]	0.01
ADI Far East (z)	5	1.083	1.083	1.153	[illegible]	1.15
ADI Gilt & Income (z)	5	0.2518	0.2518	0.2684	[illegible]	8.59
ADI UK Cap Gth (z)	5	0.2222	0.2222	0.2366	[illegible]	9.42
ADI Europe Fd (z)	5	1.095	1.095	1.164	[illegible]	1.48

For conversion Prices of Shares Phone: 0624 662880

Asset Global Funds Ltd (1200)
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

French Equity	5	[illegible]	132.93	142.6	+0.3	-
UK Gilt	5	[illegible]	10.131	10.68	[illegible]	-
Intl Equity	5	[illegible]	13.202	14.11	+0.07	-

TSB Trust Funds—Contd.	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5	140.58	140.58	152.54	-1.10	0.90
International Equity	5	112.81	112.81	120.02	-0.25	0.00
Far Eastern	5	87.67	87.67	93.94	+0.31	0.00
European	5	80.51	80.51	85.20	+0.60	0.00
Pan American	5	145.18	145.18	153.82	+1.17	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	96.74	96.74	99.97	-0.07	10.30
Monthly Share	3	95.48	95.48	98.65	-0.07	10.44

JERSEY (REGULATED)(**)

Barclays Intl Funds	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling	£21.42		----	9.5
US Dollar	$31.90		----	3.8
Deutschemark	DM55.48		+0.02	7.7
Yen	Y4,058		+0.001	5.0
Managed Multicurrency	£13.17	13.64	+0.07	-
Managed Multicurrency	$25.28	26.18	+0.01	-
Bond Funds				
Sterling Bond	£0.402	0.417xd	----	10.6
US Government Income	$98.24	102.73xd	+0.20	6.7
Asian Selection Funds				
Hong Kong	$13.116	13.806xd	-0.087	3.0
Indonesia	$7.457	7.850xd	-0.006	2.5
Korea	$9.985	10.511xd	+0.055	2.5
Malaysia	$9.806	10.322xd	-0.073	0.5
Philippines	$10.750	11.316xd	-0.206	2.5
Singapore	$11.630	12.242xd	-0.016	1.0
Thailand	$11.567	12.176xd	-0.028	2.5
South East Asia	$10.952	11.528xd	-0.080	3.0
US Dollar Liquidity	$9.559	10.037xd	+0.001	3.4

Cater Allen Investment Management (CI)

CA Gilt Income	£6.42	6.71xd	-0.05	17.88
CA Gilt & Futures	£999	1,050	----	7.62
CA Equity Gwth	£4.18	4.54	----	3.30

Citibank (CI) Ltd "Citifunds"

Liquidity Funds				
Deutschmark	DM30.067		+0.014	-
Yen	Y3006.734		+1.644	-
Sterling	£12.198		+0.006	-
US Dollar	$18.222		+0.007	-
Managed	$18.446		-0.121	-

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Soviet worries boost dollar

THE DOLLAR was driven higher yesterday as worries *about the political stability of* the Soviet Union resurfaced, prompting investors to favour the US currencies' qualities as a safe haven.

Spurring the move into dollars was the reported comments of Mr Eduard Schevardnadze, the Soviet foreign minister, who warned that the *serious deterioration in the* Soviet economy could lead to another coup.

The dollar had opened firmly following the comments by Mr Jurgen Möllemann, the German economics minister, who *was reported to have said* he thought the best level for the dollar was between DM1.65 and DM1.70.

Currency analysts said Mr Möllemann had been referring to the level of the dollar preferred by German exporters. Nevertheless, the dollar held onto most its gains and was given a further boost soon after European trading began when the first talk about a coup in the Soviet Union began to sweep around the market.

Further gains came as another batch of US economics statistics were released. The *focus of attention* was the new applications for unemployment insurance, which fell in the week ended November 16 to a seasonally adjusted level of 413,000 from 493,000 the previous week.

Dealers reported strong interest in the dollar and said some investors who had sold the US currency after the failed coup in August had reappeared as buyers.

But the movement's in the foreign exchange markets *may* have been exaggerated by the approach of the year end with some dealers reluctant to actively trade the market. "Many inter-bank dealers have an eye on their end of year bonuses and don't want to blow any profits they have made this year by taking large positions," said one currency trader.

The dollar closed higher at DM1.6170 from DM5805 and at Y130.25 from Y128.15.

The main casualty of the talk about political upheaval in the Soviet Union was the D-Mark. Its easier tone released some of the tension that had been building up within the ERM, while other European currencies were also able to make gains, particularly the Swiss franc. The mark dropped to 88.30 Swiss centimes from 88.70.

There was also a growing feeling that Germany will try to keep the mark under control ahead of the Maastricht Summit in order to prevent stresses *in the ERM becoming a source* of tension at the meeting.

Sterling also benefited from *the mark's weakness*, rising to DM2.8575 from DM2.8400, although it remained firmly at the bottom of the ERM grid.

However, Portugese Escudo continued to fall despite the mark weakness and intervention *the previous day by the* Bank of Portugal. The mark closed at around 89.10 escudos, just below the level at which the Bank had stepped into the market on Tuesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.901	−2.79	5.30	48
Belgian Franc	42.4032	41.9733	−1.01	3.41	43
D-Mark	2.05586	2.03789	−0.87	3.26	48
Dutch Guilder	2.31643	2.29644	−0.86	3.25	36
Irish Punt	0.767417	0.764038	−0.44	2.81	14
Italian Lira	1538.24	1538.01	−0.01	2.37	−5
French Franc	6.89509	6.95883	0.92	1.42	−57
Danish Krone	7.84195	7.92682	1.08	1.26	−55
Sterling	0.696904	0.713331	2.36	0.00	−46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 27	Latest	Previous Close
£ Spot	1.7650-1.7660	1.7735-1.7745
1 month	0.89-0.87pm	0.89-0.87pm
3 months	2.46-2.43pm	2.46-2.36pm
12 months	9.00-8.90pm	9.00-8.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT - FORWARD AGAINST THE POUND

Nov 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7655 - 1.7740	1.7665 - 1.7675	0.89-0.88cpm	6.01	2.46-2.44pm	5.55
Canada	2.0090 - 2.0225	2.0105 - 2.0115	0.62-0.56cpm	3.52	1.60-1.49pm	3.07
Netherlands	3.2110 - 3.2250	3.2150 - 3.2250	¾-¼cpm	1.16	¾-½pm	1.01
Belgium	58.65 - 58.95	58.65 - 58.75	12-7cpm	1.94	24-17pm	1.40
Denmark	11.0710 - 11.1190	11.0950 - 11.1050	1½-¾orepm	1.22	3½-2½pm	0.95
Ireland	1.0670 - 1.0710	1.0700 - 1.0710	0.01-0.05cdis	−0.34	0.05-0.15dis	−0.37
Germany	2.8490 - 2.8600	2.8550 - 2.8600	½-¼pfpm	1.31	¾-½pm	0.96
Portugal	253.00 - 256.10	254.10 - 255.10	20-33cdis	−1.25	36-127dis	−1.28
Spain	181.35 - 182.50	181.80 - 182.10	29-40cdis	−2.28	92-104dis	−2.15
Italy	2149.75 - 2156.30	2152.50 - 2153.50	1-2lirdis	−0.84	3-5dis	−0.74
Norway	11.2070 - 11.2465	11.2200 - 11.2300	½-¼orepm	0.33	¼-parorepm	0.13
France	9.7320 - 9.7675	9.7500 - 9.7600	⅝-⅜cpm	0.62	2-1⅝pm	0.74
Sweden	10.4225 - 10.4715	10.4225 - 10.4325	¼-1oredis	−0.86	1¾-2½dis	−0.82
Japan	229.75 - 230.75	229.75 - 230.75	⅞-¾ypm	4.23	2⅝-2⅜pm	4.34
Austria	20.00 - 20.12	20.00 - 20.03	2½-1½gropm	1.20	6¼-4pm	1.04
Switzerland	2.5175 - 2.5305	2.5175 - 2.5275	¾-⅝cpm	2.97	1½-1¼pm	2.28
Ecu	1.3990 - 1.4035	1.3990 - 1.4000	0.06-0.02cpm	0.34	0.19-0.10pm	0.41

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.78-4.73cpm. 12 Month 9.00-8.90cpm

CURRENCY MOVEMENTS

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7655 - 1.7740	1.7665 - 1.7675	0.89-0.88cpm	6.01	2.46-2.44pm	5.55
Ireland†	1.6490 - 1.6650	1.6515 - 1.6525	0.82-0.77cpm	5.77	2.25-2.15pm	5.33
Canada	1.1350 - 1.1375	1.1360 - 1.1370	0.23-0.25cdis	−2.53	0.69-0.73dis	−2.50
Netherlands	1.8015 - 1.8240	1.8215 - 1.8225	0.72-0.75cdis	−4.84	2.03-2.07dis	−4.50
Belgium	33.00 - 33.30	33.20 - 33.30	12.00-14.00cdis	−4.69	35.00-40.00dis	−4.51
Denmark	6.2225 - 6.2895	6.2800 - 6.2850	2.35-2.65oredis	−4.78	6.85-7.45dis	−4.55
Germany	1.6000 - 1.6180	1.6165 - 1.6175	0.61-0.63pfdis	−4.60	1.83-1.85dis	−4.55
Portugal	143.65 - 144.05	143.95 - 144.05	71-78cdis	−6.21	233-248dis	−6.68
Spain	102.15 - 103.00	102.85 - 102.95	67-71cdis	−8.05	195-201dis	−7.70
Italy	1208.50 - 1219.50	1218.25 - 1218.75	7.75-8.35lirdis	−7.93	20.70-21.70dis	−6.96
Norway	6.3030 - 6.3630	6.3500 - 6.3550	2.95-3.25oredis	−5.86	8.25-8.75dis	−5.35
France	5.4660 - 5.5270	5.5175 - 5.5225	2.39-2.44cdis	−5.25	6.52-6.62dis	−4.76
Sweden	5.8645 - 5.9265	5.9150 - 5.9200	3.30-3.55oredis	−6.95	9.30-9.75dis	−6.44
Japan	129.05 - 130.30	130.20 - 130.30	0.16-0.17ydis	−1.52	0.38-0.40dis	−1.20
Austria	11.2710 - 11.3750	11.3650 - 11.3700	4.40-4.80grodis	−4.86	12.20-13.50dis	−4.52
Switzerland	1.4190 - 1.4305	1.4270 - 1.4280	0.37-0.40cdis	−3.24	1.14-1.18dis	−3.25
Ecu	1.2590 - 1.2705	1.2600 - 1.2610	0.61-0.59cpm	5.71	1.69-1.63pm	5.27

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

Nov 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10¼	10⁷⁄₁₆ - 10⅜	10⅜ - 10¼	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½
US Dollar	4⅞ - 4⅞	4¾ - 4¼	4⅞ - 4⅞	5 - 4⅞	4⅞ - 4⅞	5¼ - 4⅞
Can Dollar	7 - 6½	7 - 6½	7 - 6¾	7¼ - 7⅛	7⅜ - 7¼	7⅝ - 7½
Dutch Guilder	9½ - 9¼	9½ - 9¼	9½ - 9¼	9½ - 9⅜	9½ - 9⅜	9½ - 9¼
Swiss Franc	7½ - 7¼	7¾ - 7½	7⅝ - 7½	8⅛ - 8	8⅛ - 8	8 - 7⅞
D-Mark	9¼ - 9	9¼ - 9	9⅜ - 9¼	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Italian Lira	12 - 10	12½ - 12	12¼ - 11⅞	12⅛ - 11⅞	12 - 11⅞	11⅞ - 11⅝
Belgian Franc	9¼ - 9¼	9½ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Yen	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6¼ - 6⅛	6 - 5⅞	5⅞ - 5¾
Danish Krone	9¾ - 9½	9¾ - 9½	9¾ - 9¼	9¾ - 9½	9¾ - 9½	9¾ - 9½
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4 - 3⅞	4⅛ - 4

Long term Eurodollars: two years 5⅛-5⅜ per cent; three years 6⅛-6⅜ per cent; four years 6¾-6½ per cent; five years 7⅛-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

EXCHANGE CROSS RATES

Nov.27	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.767	2.858	230.3	9.755	2.523	3.220	2153.	2.011	58.70	1.399
$	0.566	1	1.617	130.3	5.521	1.428	1.822	1218	1.138	33.22	0.792
DM	0.350	0.618	1	80.58	3.413	0.883	1.127	753.3	0.704	20.54	0.490
YEN	4.342	7.673	12.41	1000.	42.36	10.96	13.98	9349	8.732	254.9	6.075
F Fr.	1.025	1.811	2.930	236.1	10.	2.586	3.301	2207	2.062	60.17	1.434
S Fr.	0.396	0.700	1.133	91.28	3.866	1	1.276	853.3	0.797	23.27	0.554
N Fl.	0.311	0.549	0.888	71.52	3.030	0.784	1	668.6	0.625	18.23	0.434
Lira	0.464	0.821	1.327	107.0	4.531	1.172	1.496	1000.	0.934	27.26	0.650
C $	0.497	0.879	1.421	114.5	4.851	1.255	1.601	1071	1	29.19	0.696
B Fr.	1.704	3.010	4.869	392.3	16.62	4.298	5.486	3668	3.426	100	2.383
Ecu	0.715	1.263	2.043	164.6	6.973	1.803	2.302	1539	1.437	41.96	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

ECU BOND (MATIF)

December	105.44	105.20	−0.04	105.50	105.14	9.18	4,356
March	105.50	105.32	-	105.50	105.34	9.16	666

Estimated volume 0 Total Open Interest 5,022

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	0.01	0.64	0.77
106	0.04	0.92	1.58	0.29	1.01	1.14
107	0.01	0.50	1.06	1.24	1.57	-
108	-	0.27	-	-	-	-
Open Int	86,329	106,372	6,948	77,340	58,756	9,976

Estimated volume 42,797 Total Open Interest 345,721

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7670	1.7582	1.7425	1.7194	1.6775

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

World rates steady

MONEY rates around the world were broadly stable yesterday as the recovery in the *US dollar and weakness in the* D-Mark eased some of the tension which has been building up in recent days in the markets.

UK money rates were steady to slightly easier as sterling strengthened against the mark. The key three months interbank rate was unchanged at 10⁵⁄₈-⁹⁄₁₆ per cent; six months money was off ¹⁄₁₆ at 10⁹⁄₁₆-½ per cent; and one year money was also ¹⁄₁₆ easier at 10⁹⁄₁₆-½ per cent.

Sterling's positive performance against the D-Mark lifted the futures market, with the March short sterling contract up 5 basis points at 89.75.

At current market levels, dealers are still not expecting any change in UK interest rates in the immediate future. The futures market is currently anticipating an interest rate at the end of March of 10.25 per cent.

Mr Norman Lamont, *Chancellor of the Exchequer,* reaffirmed yesterday that the UK government was committed to the current level of ERM parities.

However, money dealers said it would take either a sudden *improvement in economic* confidence or rise in sterling to create the room for an early cut in interest rates.

The Bank of England left the money market slightly short of liquidity. It initially forecast a liquidity shortage of £1.2bn, caused partly by Treasury bills maturing.

The forecast was later revised to £1.25bn. This shortage was met with £1.156bn of assistance, which left the market almost £100m short.

Money dealers said they expected further large shortages as the end of the month approached. Today a shortage of around £1bn is *forecast by dealers.*

In Frankfurt short-term money rates were firmer as the end of the month approached with banks trying to bolster their liquidity levels to meet their reserve requirements.

Call money was quoted at 9.10-20 per cent, up from 9.00-10 per cent despite the Bundesbank adding DM2.3bn of liquidity to the banking system in this week's securities repurchase tender.

In New York the Federal Reserve refrained from reserve management operations. *Federal funds were trading at* 4⅛ per cent compared with the Fed's presumed target of 4¾ per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 27) 3 months US dollars		6 months US Dollars	
bid 4¾	offer 5	bid 4⅞	offer 4⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	7½	One month	4.28	Three year	5.80
Broker loan rate	7	Two month	4.18	Four year	5.89
Fed funds	4¾	Three month	4.51	Five year	6.54
Fed funds at intervention	-	Six month	4.60	Seven year	7.01
		One year	4.72	10-year	7.42
		Two year	5.43	30-year	7.97

Nov 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.10-9.20	9.00-9.15	9.20-9.40	9.20-9.40	9.20-9.40	9.25
Paris	9⅝-9¾	9⅞-9⅞	9⅞-9⅞	9⅝-9¾	9⅝-9¾	9.25
Zurich	6¾-7¼	7⅝-7¾	-	7⅞-8¼	-	-
Amsterdam	9.00-9.12	9.28-9.33	-	9.40-9.45	-	-
Tokyo	6⅜-6¼	6⅜-6⅜	-	6¼-6⅜	-	-
Milan	10⅞-11¼	12⅜-12½	-	12⅛-12⅜	-	-
Brussels	9.18-9.31	9¼-9⅜	-	9⅜-9½	-	-
Dublin	10⅝-10⅞	10¼-10¾	10¼-10¾	10¼-10½	10¼-10⅝	-

LONDON MONEY RATES

Nov 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	10⁷⁄₁₆	10⅜	10⅝	10⅝	10⅝
Interbank Bid	9½	10⁵⁄₁₆	10⁵⁄₁₆	10⅝	10½	10½
Sterling CDs	-	-	10⅜	10⅝	10⅝	10⅝
Local Authority Deps.	10½	10½	10½	10⁹⁄₁₆	10⁹⁄₁₆	10⁹⁄₁₆
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10½	10⅝	10⅝	10⅝
Finance House Deposits	-	-	10½	10¾	10⅝	10¾
Treasury Bills (Buy)	-	-	10⅜	10⅜	9⅞	-
Bank Bills (Buy)	-	-	10⅜	10⁵⁄₁₆	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.75	4.90	4.88	5.00
SDR Linked Dep. Offer	-	-	7⅛	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	6⅞	6⅞	6⅞	6⅞
ECU Linked Dep. Offer	-	-	10⅜	10⅜	10⅜	10⅜
ECU Linked Dep. Bid	-	-	10¼	10¼	10¼	10¼

Treasury Bills (sell): one-month 10⅜ per cent; three months 10⅜ per cent; six months 9⅞ per cent; Bank Bills (sell) one-month 10⅜ per cent; three months 10⅜ per cent; Treasury Bills: Average tender rate of discount 10.1662 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1991. Agreed rates for period Nov.26, 1991 to December 24, 1991, Scheme I: 11.68 p.c., Schemes II & III: 11.68 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from November 1, 1991; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent, nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

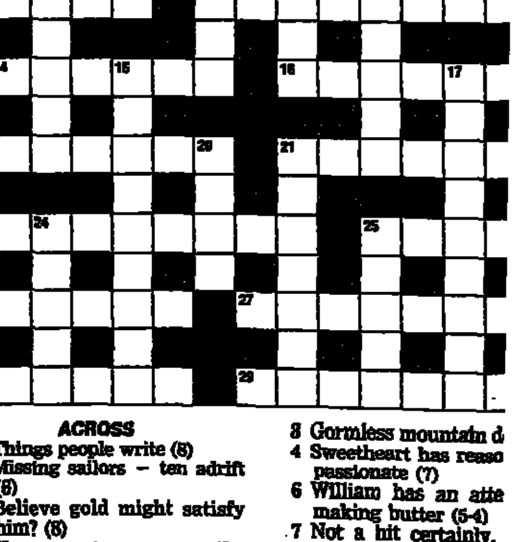
Money Market Trust Funds

Money Market Bank Accounts

JOTTER P

CROSSWORD

No.7,710 Set by DANTE



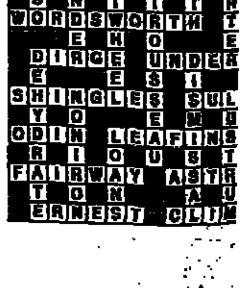
ACROSS

1 Things people write (8)
5 Missing sailors – ten adrift (6)
9 Believe gold might satisfy him? (8)
10 Key operators may strike *against it* (6)
12 Used by a bowman leading Don Quixote's horse (5)
13 Anyway, it's where the customs may look (2,3,4)
14 Footwear by which the Irish may be recognised (6)
16 Cave used as an observation post (4,3)
19 Checks, made by police (7)
21 It may require darning or peeling (6)
23 Sweet drink on the rocks? (9)
25 Get down to making a proposal? (5)
26 The colour of a Dutch house (6)
27 Such a *player* is presumably not equipped for the top (8)
28 Digs occupied by a lot of sprites (6)
29 Made concession to be allowed in (8)

DOWN

1 A county council ring road grant? (6)
2 Official makes rate reform more certain (9)
3 Gormless mountain d
4 Sweetheart has reaso passionate (7)
6 William has an atte making butter (5-4)
7 Not a hit certainly, plays his part (5)
8 Outside lines to ring
11, 15 Sign up ace goal an England player (
17 Embarrassing positio first-hand reporter (
18 Bird has a way to hu
20 Black marketeer ups top brass (4)
21 Tidied up? No, downl
22 Avoided potential du editor (6)
24 Flinch, though still g
25 Colour uniformly wo

Solution to Puzzle No



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov 26	Nov 25	Nov 22	Nov 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2916.14	2902.06	2902.73	2932.69	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.29	97.27	97.42	97.47	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1186.47	1185.72	1194.69	1214.69	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.57	213.32	212.19	214.63	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2942.31 (2921.96) Low 2861.14 (2870.30)

STANDARD AND POOR'S	Nov 26	Nov 25	Nov 22	Nov 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	377.96	375.34	376.14	380.06	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	445.76	442.65	443.82	448.14	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.20	30.05	30.13	30.46	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	208.77	207.57	208.16	210.21	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	370.66	371.04	373.28	376.05	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	522.23	522.88	526.46	530.33	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 22	Nov 15	Nov 8	year ago (approx.)
Dow Industrial Div. Yield	3.15	3.10	3.05	4.06

	Nov 20	Nov 13	Nov 6	year ago (approx.)
S & P Industrial div. yield	2.80	2.67	2.72	3.39
S & P Indl. P/E ratio	22.79	22.04	21.19	15.47

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Bristol Myers	4,417,300	75¾	- 2⅛
Ford Motor	2,843,700	24	- ¼
RJR Nabisco	2,786,100	9⅞	+ ⅛
Am T & T	2,546,500	36⅞	- ⅛
Glaxo	2,432,800	27⅝	----
BankAmerica	2,208,200	32	- 1½
Gen Electric	2,183,000	65⅞	----
Telefonos	2,111,100	43	+ 1
IBM	1,945,500	97¾	+ 2⅛
Adv Micro	1,854,900	14½	+ ¼

TRADING ACTIVITY

† Volume Millions	Nov 26	Nov 25	Nov 22
New York SE	216.052	173.520	188.110
Amex	12.921	12.010	13.343
NASDAQ	172.793	142.322	167.080
NYSE			
Issues Traded	2,147	2,147	2,149
Rises	862	616	508
Falls	780	1,043	1160
Unchanged	505	488	481
New Highs	26	18	30
New Lows	71	77	75

CANADA

TORONTO	Nov 26	Nov 25	Nov 22	Nov 21	1991 HIGH	1991 LOW
Metals & Minerals	2892.05	2901.46	2915.10	2950.69	3299.99 (18/7)	2632.06 (9/1)
Composite	3448.32	3443.47	3451.90	3493.10	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1812.74	1811.96	1809.64	1835.42	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 27	Nov 26	Nov 25	Nov 22	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1618.5	1630.2	1616.2	1642.9	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	646.5	646.0	640.8	650.2	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	414.22	414.77	414.60	417.81	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1076.60	1080.70	1070.05	1095.98	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	354.45	353.55	355.00	359.30	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	823.2	825.9	829.8	836.6	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	481.59	477.68	475.53	480.56	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1757.86	1768.97	1743.25	1741.28	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	653.11	656.65	652.85	659.09	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1844.00	1854.40	1843.60	1861.20	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1586.16	1602.07	1589.16	1600.26	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4179.30	4202.18	4220.74	4243.07	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1378.90	1379.16	1380.67	1389.71	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	517.15	518.87	506.80	507.08	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22973.28	23112.09	22868.69	23117.39	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1750.57	1753.37	1750.33	1764.77	2028.85 (18/3)	1625.08 (17/1)
2nd Section (4/1/68)	2558.68	2558.13	2574.62	2608.87	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	536.18	537.07	537.38	539.04	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	274.1	274.9	274.7	277.1	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	192.5	193.1	192.9	194.7	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	636.99	640.75	646.76	660.81	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1094.99	1090.07	1185.03	1105.31	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	394.50	393.46	391.60	395.28	432.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1242.0&	1255.0	1274.0	1229.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4223.0&	4220.0	4209.0	4203.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	649.03	649.32	656.38	660.64	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	244.24	244.19	242.74	245.78	289.22 (18/3)	213.78 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	942.30	946.30	935.10	942.8	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	729.7	732.7	725.0	733.0	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	594.3	597.9	592.0	598.4	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4471.00	4529.62	4534.62	4543.84	6365.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	668.60	664.57	668.96	657.07	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	504.4*	509.2	508.2	508.3	529.2 (17/4)	439.1 (16/1)

**Saturday November 23: Taiwan Weighted Price: 4505.80; Korea Comp Ex. 660.57
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday, 27 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sanyo-Kokusaku	9.6	643	+3	Tokyo Rakutenchi	3.4	923	-2
Meiji Milk	8.5	1,180	-20	Chugoku Marine	2.9	800	-100
Osaka Gas	6.0	595	+7	Nisshin Steel	2.7	456	-10
Tokyo Gas	5.9	571	-1	Hitachi	2.7	860	-16
Okamoto	4.1	1,140	+10	Japan Steel	2.5	568	-25

3:00 pm prices November 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.9	16	431	12½	12⅛	12⅛	+⅛
22⅞	14½	A L Labs A	0.16	0.8	22	447	20¼	20	20	-½
55¾	40⅞	AMP Inc	1.44	2.8	20	398	52	51⅞	51⅞	-½
66⅝	44¼	AMR			11	1391	59¾	59⅛	59⅛	-½
2⅝	1	ARX			1	16	1⅛	d1	1	-⅛
56	41½	ASA x	3.00	6.0	14	426	50¾	49¾	49⅞	+⅛
61⅞	39¼	Abbott Lab	1.00	1.7	23	3070	58⅛	57½	57⅝	-½
14⅝	9⅞	Abitibi Pr	0.44	3.3	17	67	13⅛	13⅛	13¼	
11⅝	10⅝	ACM Gvt In	1.28	11.8		337	11	10⅞	10⅞	
9¾	8⅛	ACM GvOpp	1.01	10.6		25	9⅝	9½	9½	-⅛
9½	8¼	ACM Gvt Sp	1.01	10.9		213	9¼	9⅛	9¼	+⅛
11	9⅞	ACM Gvt Sc x	1.26	12.1		494	10½	10⅜	10⅜	-⅛
9	7⅝	ACM Man	1.01	11.9		182	8⅝	8½	8½	
12⅞	11½	ACM Managd	1.35	11.0		32	12⅜	12⅛	12¼	+⅛
7½	4⅛	Acme Cleve	0.40	6.5	13	96	6⅛	6	6⅛	
6	3⅛	Acme Elect			3	17	5	4⅞	5	+⅛
40	22¼	Acuson			21	1003	33⅞	33	33⅛	
20⅛	14¼	Adams Exp x	5.08	28.2	0	65	18⅛	18	18	+⅛
20⅛	17½	Adobe12Pf	2.40	12.7		26	18⅞	18⅞	18⅞	
9¼	6½	Adobe Res			64	14	6⅝	d6½	6½	
38⅞	15	Ad Micro x				304	38	37	37⅞	+⅛
14⅞	4⅞	Ad Micro P	3.00	20.9	7	19265	u14⅝	14⅛	14⅜	+⅛
5⅛	2¼	Advest Grp	0.16	3.8	6	28	4⅜	4¼	4¼	-⅛
49⅞	31⅞	Aetna Lf x	2.76	7.3	7	2003	37⅞	37½	37⅞	-⅛
10⅝	6⅝	Affil A	0.24	2.8	78	2561	8⅞	8⅛	8⅝	+½
20⅞	12	Ahmanson	0.88	6.3	9	1175	14⅛	14	14	
18⅝	2⅞	Aileen Inc			16	42	16⅛	15⅞	16	-⅛
74⅛	51⅞	Air Pr Chm x	1.56	2.4	14	1343	65⅞	64½	64⅞	
30	16⅝	Akzo Fn x	0.30	1.5	15	293	20½	20¼	20½	
22½	12½	Airgas Inc			99	16	21	20½	20⅞	+⅛
15⅛	10	Airlease	1.85	15.4	7	23	12	11⅞	12	
100½	88¼	AlaPw8.16 x	8.16	8.2		6	100	99	99	-1
25⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	100	AlaPw9.44 x	9.44	8.9		2	105¾	105¾	106	+¼
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37	25	SafetyKln x	0.32	1.2	26	879	27	26½	27	+⅛
21⅞	11⅞	Safeway			12	399	16	15⅝	15¾	−¼
4⅞	2⅛	SafewayW08				55	3⅛	3⅛	3⅛	
35⅞	26⅞	StJoePaper	0.20	0.6	40	40	32⅝	32⅛	32⅝	+⅛
34¼	26⅝	StJoeLAP	1.68	5.1	12	19	32⅞	32½	32⅝	+¼
74¼	57	St Paul's x	2.60	3.9	7	329	67⅛	66¼	66⅝	+⅞
4¾	1½	Salant Crp			0	37	2¾	2¼	2⅝	
68¾	43⅞	Sallie Mae x	1.00	1.6	17	853	60¾	59⅞	60¾	+1⅛
14¼	10⅞	Salomon Br x	4.04	32.9		298	12⅝	12¼	12½	−⅛
37	20¼	Salomoninc	0.64	2.3		62934	27⅞	27¼	27⅞	+⅛
45¼	37¼	SanDgo G&E	2.80	6.4	12	95	44	43⅞	43⅞	
4⅞	2¾	SantaFeEDu	0.50	16.7	23	30	3	2⅞	3	+⅛
16¼	10¼	SantaFeERs	0.15	1.6	23	858	10½	d10	10	−⅛
35¼	25	SantaFePac	2.70	8.0	10	6	33½	33⅛	33½	+¼
12¼	5⅛	SantaFeStr x				1772755	10⅞	10⅝	10⅝	
50¼	29⅝	Sara Lee x	1.00	2.0		173048	49	48⅞	48⅞	+⅛
¼	⅛	Savin Corp				04090	0.08	d1/16	1/16	
7⅞	1⅞	Savin 0.80	0.80	35.6		48	2¼	2¼	2¼	
41½	33⅛	Scana Corp x	2.62	6.4	12	589	41	40¾	41	+⅛
45⅞	38	Scecorp	2.72	6.0	12	479	45½	45¼	45½	+⅛
65⅝	40⅞	SchoringPl	1.32	2.2		202025	59¼	58¼	59	
74	60½	Schl'berger x	1.20	2.0		212383	60¾	60⅛	60½	
38¼	11⅞	Schwab(C)	0.24	0.8	23	300	31⅝	31	31⅝	+⅞
8⅞	3⅞	Schweitzer			10	634	4⅝	4⅜	4½	
17⅞	11½	ScientAtlx x	0.16	1.1	43	281	14⅝	14¼	14¼	−⅛
9⅝	6	Scotman	0.10	1.3	12	10	7¾	7⅝	7¾	+⅛
46⅝	31½	ScotPaper x	0.80	2.4		661406	33⅞	33	33⅞	+¼
17¼	11⅝	ScuddrNA&F	0.58	3.7		78	15⅞	15½	15⅞	
10⅛	7⅜	ScuddrNEuF	0.25	2.9		144	8½	8⅜	8½	+⅛
28½	19⅛	Sea Cont x	1.40	6.8	10	17	21½	21⅛	21½	+⅛
15½	13½	SeaC1.465 x	1.46	9.7		5	15	15	15	−⅛
118	81⅝	Seagram Co x	2.00	1.8	14	479	111⅞	111¼	111½	−⅛
31½	21	Seagull En			24	182	26⅞	26⅞	26⅞	
42¼	21⅝	Sealed Air			24	128	40½	40⅛	40½	
[illegible]										
25¼	14⅛	Xtra 1.94				6	23½	23½	22⅞	−½
29¾	14⅛	Xtra Corp	0.72	2.7	68	420	26⅝	26½	26½	−⅛
27⅞	21⅛	Yankee Egy	1.60	6.0	12	39	26¾	26⅝	26⅝	
1½	⅛	Zapata			2	621	⅛	⅛	⅛	+⅛
9⅞	5¼	ZenithElec			2	143	6½	6⅜	6⅜	−⅛
18½	12	Zenith Nat	1.00	6.6	128	25	15⅛	15	15⅛	+⅛
8⅞	4½	Zenix Inc x	0.84	13.7		64	6¼	6⅛	6⅛	−⅛
15⅛	10⅞	Zero Corp	0.40	3.7	14	33	10⅞	d10⅞	10⅞	
41⅞	29½	Zurn Ind x	0.86	2.6	14	166	34⅞	34½	34½	−¼
13½	10¼	Zweig Fund	1.16	9.2		275	12⅝	12½	12⅝	
10½	8½	Zweig Totl	0.86	8.4		527	10⅜	10¼	10¼	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices November 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oil Corp	0.14	7	108	7⅜	7⅛	7⅛	−⅛
Pall Corp	0.29	39	514	35⅞	35¼	35⅞	−⅛
Pegasus G		7	515	12½	12¼	12¼	
Perini		6	12	10⅛	9⅞	9⅞	−⅛
Pet Hl&P	0.31	7	6	10⅞	10⅞	10⅞	−⅛
Phil LD	0.17	12	1145	28¾	28¼	28⅝	−⅛
Pitway A x	1.10	12	129	27⅞	27¼	27½	
[illegible]							

NASDAQ NATIONAL MARKET

3:00 pm prices November 27

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow eases as market winds down before Thanksgiving

Wall Street

A RARE release of good economic news failed to stimulate buying interest yesterday morning, as the stock market wound down for Thanksgiving, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was 9.39 lower at 2,906.75. The more broadly-based Standard & Poor's 500 was also weaker at midsession, down 1.05 at 376.91, *while the Nasdaq* composite of over-the-counter stocks gave up 0.60 to 521.63. Turnover on the NYSE was 94m shares by 1 pm.

The *market* opened weaker, ignoring the apparently encouraging news of a big fall in weekly initial jobless claims and a 3 per cent increase in October durable goods orders. The message behind the figures was not as promising as it first looked, however, because closer examination of both sets of data showed that they were distorted by one-off holiday and seasonal factors. The underlying theme was still one of a depressed economy.

A more powerful influence *on the market was a fall in* IBM shares. Although the stock had risen on Tuesday's news of a big restructuring charge and lay-off plans, it suf*fered yesterday, falling $3¼ to* $94¾, after two big broking houses, Merrill Lynch and Bear *Stearns, cut their ratings* and profits forecasts for the computer group, citing concern *about worldwide demand* and potential inefficiencies stemming from the corporate restructuring.

The decline in IBM spread to other computer *stocks*, with Compaq losing $¾ to $24⅛, Digital Equipment falling $⅝ to $63⅝, and Hewlett-Packard giving up $⅝ to $49.

Philip Morris fell $⅝ to $69¾ on news that the food and tobacco group will have to take *a $1bn charge for the full year* because of the adoption of a new accounting method for retirement benefits. It will also take a further $275m charge in the *fourth* quarter to cover the cost of reorganising its international food operations.

Reebok fell $1¼ to $27¼ on reports that the UK's Pentland Group plans to sell its remaining 13 per cent stake in the sports shoe manufacturer. Cincinnati *Bell* rose early on, but fell back $⅛ to $20⅞ after the telecommunications company *announced that it would trim* its workforce by 10 per cent as a cost-cutting measure.

Du Pont rose $⅛ to $44¾ on the news that the big chemical *group expects a one-off* gain of about 20 cents a share from the sale of its 50 per cent stake in *two coal companies.*

Advanced Polymer jumped $1 to $9½ after the French *group* Rhône-Poulenc *said* it would buy a stake under a revised joint venture pact.

Canada

TORONTO stocks fell in sluggish midday trade, with many players reluctant to take positions ahead of the US Thanksgiving. The composite index fell 9.2 to 3,439.1. Declines led advances by 241 to 185 on volume *of 12m* shares valued *at* C$120.2m.

The Bank of Montreal rose C$⅛ to C$39⅝, a 52-week high, after the bank reported higher-than-expected fourth quarter and annual earnings on Tuesday. Analysts said they were *likely to raise* their 1992 *earn*ings expectations.

Small capitalisation and penny stocks dominated the most active list on tax-loss selling.

Among active issues, Royal Oak Mines eased 3 cents to *C$1.52, Lac Minerals* rose C$⅛ to C$9⅝ and FCA International was flat at C$4.50.

ASIA PACIFIC

Arbitrage selling pushes Nikkei back below 23,000

Tokyo

LIGHT arbitrage-related selling *depressed shares* yesterday, as futures prices declined on speculative selling, pushing the Nikkei average back below the 23,000 level, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 138.81 to close at the day's low *of 22,973.28. The high for the* session was 23,307.85. The market rose in the morning, encouraged by arbitrage-related buying against the December futures contract, but late afternoon selling pushed the index down.

Volume remained *flat* at 200m shares. Domestic institutions and foreign investors stayed quiet. Declines led advances by 487 to 357, with *259 issues unchanged.* The Topix index of all first section stocks shed 2.80 to 1,750.57, and in London the ISE/Nikkei 50 index eased 3.85 to 1,299.49.

Traders said market participants were unwilling to make significant moves before the *expiry of December futures* on December 13. Mr Nick Cant at Baring Securities said investors tended to get nervous before special quotation (SQ) day, when the settlement price of the futures are determined. "There may be a rally after we pass SQ, but the 25,000 level will be a hard resistance," he added.

The Tokyo Stock Exchange announced yesterday that, as *of November 22, a total of 1.1bn* shares worth Y1,190bn were held against December futures, *down* 242m shares or Y321bn from a week earlier. The decline in long positions reflected a weakness in the futures market, but investors *were growing nervous* over the remaining cash positions.

Nomura Securities was the most active arbitrageur during the week of November 18 to 22, *trading a total of 23m shares,* or 17.7 per cent of total turnover. Morgan Stanley and Salomon Brothers followed.

In spite of the strengthening of the dollar against the yen, high-technology issues continued to lose ground. Hitachi fell *Y16 to Y880, renewing its low* for the year on selling by domestic institutions and foreigners. Sony also reached a year's low, down Y50 at Y4,350.

Dealer activity focused on Aids-related stories. Sanyo-Kokusaku Pulp, the day's most *active issue, firmed* Y3 to Y643 on rumours that the company would start a joint research project with a pharmaceutical group. Meiji Milk Products was also traded actively but declined Y20 to Y1,180.

In Osaka, the OSE average moved up 97.91 to 24,891.83 on volume of 33.8m shares. Toyo Sanso, a speculative issue, rallied Y200 to Y1,420 after falling by its daily limit on Tuesday *on rumours that a leading* speculator had been arrested. Bargain hunters sought the issue as no fresh reports on the arrest followed.

Roundup

MODEST GAINS or *losses* were the order of the day in the region, where the delicate equilibrium in senior international markets kept traders quiet.

HONG KONG eased further on fears that the US will impose tough trade sanctions against China and on news that the US House of Representatives had voted to attach human rights and trade conditions to the renewal of Bei*jing's Most Favoured Nation* trade status next year.

The Hang Seng index finished 22.80 lower at 4,179.30 but was up from a morning low of *4,166.87. The US* vote news brought selling of manufacturing stocks, particularly toy *companies, many of which* relocated their factories to southern China in the 1980s. Turnover rose from HK$1.12bn to HK$1.39bn.

TAIWAN fell on profit-taking in moderate trading, the weighted index closing 58.62 lower at 4,471.0 as turnover fell from T$27.6bn to T$24.9bn.

SINGAPORE followed Wall Street, the Straits Times Industrial index ending 7.04 higher *at 1,456.40 as turnover rose* from S$51.9m to S$61.7m. Amcol Holdings, rumoured to be the target of a Hong Kong takeover party, saw 2.1m *shares change hands as it rose* by one cent to S$2.32.

BANGKOK, concerned *recently about further* amendments to the draft constitution, managed a small rise in moderate trade, with the SET index gaining 4.03 at 668.60 in turnover *of Bt2.50bn.*

AUSTRALIA was interrupted by a computer room fire in Sydney, and traders said this made the market "almost dead". The All Ordinaries index finished 1.8 off at 1,618.4, and turnover thinned from *A$233m to A$173m. However,* News Corp rose 14 cents to A$14.88 after a slightly firmer closing on Wall Street.

NEW ZEALAND was narrowly mixed but a further 4 cents rise to NZ$2.32 in forestry group Carter Holt Harvey *left the NZSE-40 index 3.21* ahead at 1,571.56 in turnover down from NZ$31m to NZ$17m.

Carter Holt has risen 27 cents, or 13 per cent, since Friday, when International Paper, of the US, bought a 16 per cent stake in the group for NZ$2.15 *a share. However,* Fletcher Challenge, the forestry and resources conglomerate, came out of Carter's shadow yesterday, rising 6 cents to NZ$3.48 *in volume of 920,000 shares.*

KARACHI hit its fifth record high in a row. The inflow of foreign funds helped to push the index up 44 to 2,928.

SOUTH AFRICA

JOHANNESBURG was pulled down by the gold sector in thin trading. The all-gold index fell 13 to 1,242, pushing the *overall index 8 lower to* 3,528, although the industrial index rose 3 to 4,223. Vaal Reefs fell R3.75 to R212.

Polish shares fascinate locals and foreigne

Interest is growing, despite a fall in the Warsaw index, writes **Christopher Bobinsl**

EACH TUESDAY a crush of curious onlookers at Warsaw's stock exchange peers across makeshift barriers at young brokers *performing their rituals* at their computer screens. The chatter ceases as Mr Wieslaw *Rozlucki, the exchange's chair*man, reads out the stock prices for the day and they are repeated *on a green electronic* screen, which flickers across the room on the fifth floor of what was once the Communist Party's headquarters.

Mr Rozlucki has performed the ceremony regularly since the exchange opened in April, *when it traded the stocks of* five companies privatised the previous autumn. Since then another four have joined them, and Mr Rozlucki is confident that he will have one new stock a month coming on to his floor in the new year. *"That is a conservative esti*mate," he says.

The exchange is modelled on French lines, with an order-driven system and price movements limited to a *10* per cent rise or fall in any session. "We also have a very modern book entry system which makes dealings very safe," Mr Rozlucki says. Trading will *increase to* twice a week from the new year.

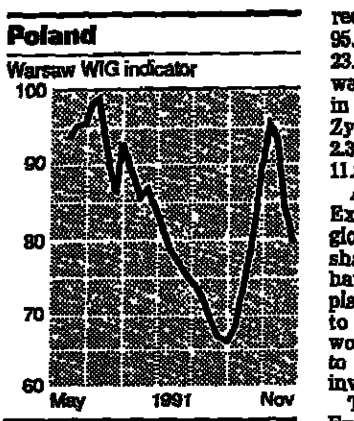
This is all rather new for *most Poles. Clients at one bank* providing a stockbroking service range from the younger *generation to pensioners, who* remember the stock exchange which closed in 1939.

To match the interest, *trad*ing volumes have grown steadily, from 39.6m zlotys ($3,400) at the first session to this week's 11.8bn zlotys.

This week, the Wedel confectionery producer, which is 40 per cent-owned by PepsiCo, *came to the market* and *imme*diately saw its share price rise 38.5 per cent from the offer price to 180,000 zlotys. The result pleased Mr Rozlucki, *who has seen some of the* exchange's poorer performers pull down the WIG price *indicator since May. The index* fell to a low of 66.2 a couple of months ago, before recovering to 95.3 early this month and drifting back again to 79.9 this week. *The indicator compares* the average share price on any given trading day with the average price at the first three sessions, which equals 100.

Poland

Warsaw WIG indicator



The rally in October and in the first half of this month coincided with:

- a *crawling peg devaluation* of Poland's currency, which was instituted in mid-October and which prompted some investors to move out of zloty savings;
- and the flotation of the Zywiec brewery, which has *seen its share price double.* On some days Zywiec made up 40 to 50 per cent of the trading volume: on November 5, at its recent peak, the WIG was at 95.3 and turnover was a record 23.1bn zlotys, *13bn of which* was accounted for by trading in Zywiec. This week, however, Zywiec accounted *for only* 2.3bn of the total turnover of 11.8bn zlotys.

Another good performer is Exbud, the construction conglomerate, which has seen its share price almost treble. "I have had one investor complain that he has not been able to put through a sell order worth some $800,000," he says, *to demonstrate that the sums* involved are growing.

The healthy performance of Exbud and Zywiec can be explained by the interest of foreign investors. Mr Rozlucki points out that, at the moment, there are few restrictions on *foreigners investing on the* exchange. Domestic and foreign investors are covered by the same disclosure rules on holdings of more than 10 per cent, and an intention to buy more than 33 per cent of a company has to be notified to the Securities Commission, headed by Mr Leslaw Paga. The commission has the power to block such a purchase if it threatens to establish a monopol "national interest".

Such a situation ha arise, however. The ent talisation *of the* co quoted on the excha present amounts to $1 *foreign interest* is stil exploratory stage.

However, Mr Kristo from the *Danish* Sank investment bank says l has been buying share ents *on the* exchan spending $100,000 a And Mr Igor Chalup *head of the* PKO SA team of dealers, says h agreement *with a* based stockbroker to Warsaw shares.

Mr Zorde is, howev ried about the future. tinuing recession and cent bank rate make n tions perilous, he say company *which has* to loan starts facing p because of the servici den," *he points* out.

On the other hand earnings ratios in War *low*, ranging from 1.4 with most stocks g higher than *3. That* space for future growt

EUROPE

Soviet coup talk sends tremor through bourse

CARELESS WORDS were a talking point in some bourses yesterday, *writes Our Markets Staff.* Bundesbank luminaries did their best to dilute bullishness on German interest rates *and the dollar; but Soviet* attempts to play down Foreign Minister Eduard Shevardnadze's fears of domestic political instability came too late to help Frankfurt.

FRANKFURT's DAX index closed a whisker above its *intraday* low at 1,586.16, *down* 16.71, after a 3.54 decline to 653.11 in the FAZ at midsession. Afternoon trading left the leaders another hair's breadth higher by *the London close.*

Volume eased from DM4.5bn to DM4.4bn. Mr Horst-Kaspar Greven of Merck Finck in Düsseldorf said that investors were not willing to buy in bulk, with German interest rates not expected to fall before the sec*ond quarter of 1992. Some prof*it-taking, and a few investors slowly building up positions for a 1992 recovery, were dictating the daily ups and downs of the market, he said.

However, he added, over a period there had been distinct *outperformance in banks and,* among utilities, RWE, which should reflect any recovery in the German GNP growth rate. It was noticeable that some of the severe *falls* yesterday came in steels or steel-oriented groups such as Mannesmann, *Preussag and Thyssen, which,* unlike banks, are hitting the low end of their earnings cycle in 1991, and which have been relatively weak recently.

MILAN was again led higher by the insurance sector. There were hopes that a reform of auto liability insurance would lead to higher annual increases, thus helping the underwriting cycle to recover.

The Comit index rose 6.28 or *1.2 per cent to 517.15 in turn*over estimated at not more than L110bn, of which L17bn was generated via the screens, after Tuesday's L80bn.

Reports that the delivery of shares yesterday had gone smoothly raised expectations that the settlement of the November trading account on Friday would not be disrupted after all. The continued ban on short-selling also contributed *to the firmer tone.*

Among insurers, Generali added L525 to L28,095, Alleanza rose L600 to L11,400 and Ras put on L384 to L19,179.

FT-SE Eurotrack 100 - Nov 27							
Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1072.60	1071.90	1068.59	1069.41	1068.88	1069.09	1069.74	1069.79
Day's High 1072.81				Day's Low 1067.76			

Nov 26	Nov 25	Nov 22	Nov 21	Nov 20
1071.48	1060.67	1066.84	1071.97	1076.00

Base value 1000 (26/10/90)

PARIS finished near its *day's low, as Tuesday's burst* of bargain-hunting ran out. The CAC 40 index closed 11.11 down at 1,757.86, after moving between a low of 1,751.58 and a *high of 1,772.69.* Turnover was similar to Tuesday's FFr1.8bn.

Against the trend, Perrier, the mineral water group, jumped FFr39 or 3.2 per cent to FFr1,274 in volume of 35,315 shares after its parent company, Exor, was suspended. *Exchange authorities said that* they had been informed of an imminent bid for Exor. There was speculation that the bidder *was the Agnelli family of Italy,* which already holds about 21 per cent of the voting rights.

Among active blue chips, Alcatel Alsthom dropped FFr12 *to FFr564 in volume of 415,690* shares and Elf Aquitaine shed FFr7.70 to FFr390.50 in 234,300 shares, but Générale des Eaux, which is due to go ex one for 10 today, gained FFr39 to FFr2,249 in 40,670 shares and Total rose FFr19 or 1.9 per cent FFr1,022.

Pinault, which rose FFr8.50 on Tuesday in response to its bid for two-thirds of Printemps, fell FFr16 or 6 per cent to FFr251.50.

OSLO was restrained by a 3.8 per cent fall in Norsk Hydro, which accounts for more than *20 per cent of the market.* The all-share index ended 1.62 up at 406.16 in turnover of NKr404m.

Hydro fell NKr5.5 to NKr138 after Tuesday's announcement of a cut in output at its magnesium plant in Canada. One analyst pointed out that, of the *four sectors in which Hydro is* involved, metals and petrochemicals were both in downward trends, fertilisers were stagnant and only oil and gas looked *encouraging.*

STOCKHOLM was hit by the rumours of a coup in the Soviet Union. The Affärsvärlden General index fell 4.0 to 942.3 in wafer-thin volume of SKr191m after SKr321m.

AMSTERDAM was also *unsettled by the Soviet coup* rumours. The CBS Tendency index fell 0.3 to 89.4: international stocks, Dutch Petroleum lost 4 *to Fl 143.00 while Unilev* 80 cents to Fl 168.00.

ZURICH fell in thin on the Shevardnadze r The Crédit Suisse index to *459.4. MADRID,* h recouped its early losse Soviet worries, to finish *unchanged. The genera* ended 0.05 up at 244.24.

In VIENNA, Credit shares fell after the priced its three-for-38 issue at Sch400 a sha ordinary shares fell S Sch575 and the prefer *Sch9 to Sch458. The AT* slipped 3.41 to 991.32.

ISTANBUL succum profit-taking after rising cent in two days. Volu record high of 62m worth TL539bn after T 61m worth TL389bn. *share index fell* 8 4,458.91.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 26 1991								MONDAY NOVEMBER 25 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	152.99	−0.2	126.22	123.93	125.71	128.82	+0.1	4.53	153.23	126.24	123.74	126.11	128.67	160.31	112.74	123.69
Austria (20)	173.06	−0.5	142.78	140.19	142.20	142.58	−0.5	2.01	173.92	143.29	140.45	143.14	143.23	222.37	153.86	197.27
Belgium (47)	135.68	−0.2	111.94	109.90	111.48	109.08	−0.3	5.43	135.93	111.99	109.76	111.87	109.45	151.20	118.04	137.53
Canada (115)	137.26	+0.4	113.25	111.18	112.78	112.86	+0.0	3.30	136.74	112.66	110.41	112.53	112.82	144.28	126.49	125.02
Denmark (37)	258.55	+0.0	213.31	209.44	212.45	218.35	−0.1	1.65	258.52	212.99	208.77	212.78	216.51	270.56	217.74	245.74
Finland (15)	78.54	−0.6	64.80	63.62	64.54	71.17	−0.2	3.42	79.03	65.11	63.82	65.04	71.29	125.15	78.54	104.35
France (109)	144.02	+1.5	118.82	116.65	118.33	121.99	+1.2	3.64	141.95	118.95	114.62	116.81	120.52	152.26	119.11	139.32
Germany (65)	115.14	+0.7	95.00	93.28	94.61	94.61	+0.6	2.44	114.30	94.17	92.31	94.07	94.07	125.35	94.15	116.93
Hong Kong (55)	173.63	−0.4	143.25	140.65	142.67	172.76	−0.4	4.30	174.33	143.63	140.78	143.48	173.46	176.14	119.62	121.90
Ireland (18)	162.45	+1.1	134.02	131.59	133.48	135.76	+1.1	3.69	160.69	132.39	129.77	132.25	134.26	182.46	132.88	153.82
Italy (77)	72.67	+1.2	59.95	58.86	59.71	64.92	+1.1	3.57	71.81	59.16	57.99	59.10	64.21	88.23	64.76	76.41
Japan (474)	135.23	−0.1	111.57	109.54	111.13	109.54	+0.2	0.78	135.38	111.54	109.32	111.43	109.32	146.97	118.23	129.32
Malaysia (68)	206.45	−0.1	170.33	167.23	169.63	217.66	+0.0	2.86	206.58	170.20	166.81	170.01	217.56	247.78	189.18	191.88
Mexico (17)	1313.45	−0.7	1083.64	1063.97	1079.28	4381.42	−0.7	1.17	1323.34	1090.29	1068.64	1089.11	4414.41	1404.63	534.45	568.41
Netherland (31)	147.43	+0.3	121.63	119.43	121.14	119.84	+0.1	4.50	147.06	121.16	118.75	121.03	119.71	148.25	125.70	134.71
New Zealand (14)	49.10	+0.3	40.51	39.78	40.35	45.94	+0.5	8.05	48.94	40.32	39.52	40.28	45.73	54.64	41.18	48.36
Norway (30)	174.80	−1.7	144.22	141.60	143.64	148.23	−1.6	1.74	177.82	146.50	143.60	146.35	150.67	223.24	173.29	217.35
Singapore (38)	207.56	−0.2	171.25	168.14	170.55	158.30	−0.1	2.20	207.88	171.27	167.87	171.08	158.40	213.93	151.63	155.85
South Africa (61)	271.56	−0.2	224.06	219.99	223.15	179.07	−0.2	2.74	271.99	224.09	219.63	223.84	179.34	271.99	173.00	172.27
Spain (53)	148.06	+0.7	122.16	119.94	121.66	113.57	+0.7	4.85	147.02	121.13	118.72	120.99	112.83	171.12	131.51	145.59
Sweden (25)	171.61	+2.0	141.59	139.02	141.02	147.35	+2.0	3.03	168.27	138.63	135.88	138.49	144.42	204.12	146.60	153.11
Switzerland (59)	97.24	+1.7	80.22	78.77	79.91	84.52	+1.3	2.39	95.57	78.74	77.18	78.66	83.45	100.67	82.17	87.70
United Kingdom (239)	177.74	+0.5	146.65	143.97	146.04	146.65	+0.6	5.08	176.87	145.72	142.82	145.55	145.72	187.44	156.27	170.68
USA (536)	153.71	+0.7	126.82	124.52	126.31	153.71	+0.7	3.16	152.63	125.75	123.26	125.62	152.63	161.59	125.95	128.39
Europe (825)	142.20	+0.7	117.32	115.19	116.85	117.79	+0.7	4.09	141.15	116.29	113.98	116.17	116.97	151.52	125.50	138.40
Nordic (107)	176.77	+0.5	145.84	143.19	145.25	144.53	+0.5	2.24	175.81	144.85	141.98	144.69	143.75	200.81	155.55	170.59
Pacific Basin (718)	136.50	−0.1	112.62	110.58	112.17	111.67	+0.2	1.11	136.67	112.60	110.37	112.48	111.48	145.92	117.86	128.52
Euro-Pacific (1543)	139.11	+0.2	114.77	112.68	114.30	114.89	+0.4	2.33	138.79	114.35	112.07	114.22	114.45	147.68	121.29	132.90
North America (641)	152.62	+0.7	125.91	123.64	125.43	150.98	+0.7	3.17	151.57	124.88	122.41	124.76	149.95	160.44	125.91	128.10
Europe Ex. UK (586)	120.84	+0.9	99.70	97.91	99.32	101.19	+0.8	3.36	119.73	98.64	96.70	98.56	100.43	129.80	103.58	118.71
Pacific Ex. Japan (244)	149.05	−0.2	122.97	120.76	122.49	131.47	−0.1	4.13	149.36	123.06	120.63	122.93	131.56	153.19	111.40	118.39
World Ex. US (1736)	141.19	+0.2	116.49	114.38	116.02	116.57	+0.4	2.36	140.88	116.07	113.77	115.95	116.15	148.16	122.32	133.27
World Ex. UK (2023)	141.18	+0.4	116.48	114.37	116.02	126.33	+0.5	2.36	140.64	115.87	113.58	115.76	125.74	146.16	120.06	126.62
World Ex. So. Af. (2201)	143.50	+0.4	118.39	116.25	117.92	127.81	+0.5	2.64	142.93	117.75	115.43	117.64	127.18	148.66	122.92	130.28
World Ex. Japan (1788)	150.58	+0.6	124.23	121.99	123.75	138.55	+0.6	3.53	149.63	123.28	120.84	123.16	137.70	155.59	126.69	132.46
The World Index (2262)	144.36	+0.4	119.10	116.95	118.63	128.27	+0.5	2.64	143.80	118.47	116.12	118.35	127.65	149.37	123.28	130.53

Latest prices were unavailable for this edition.